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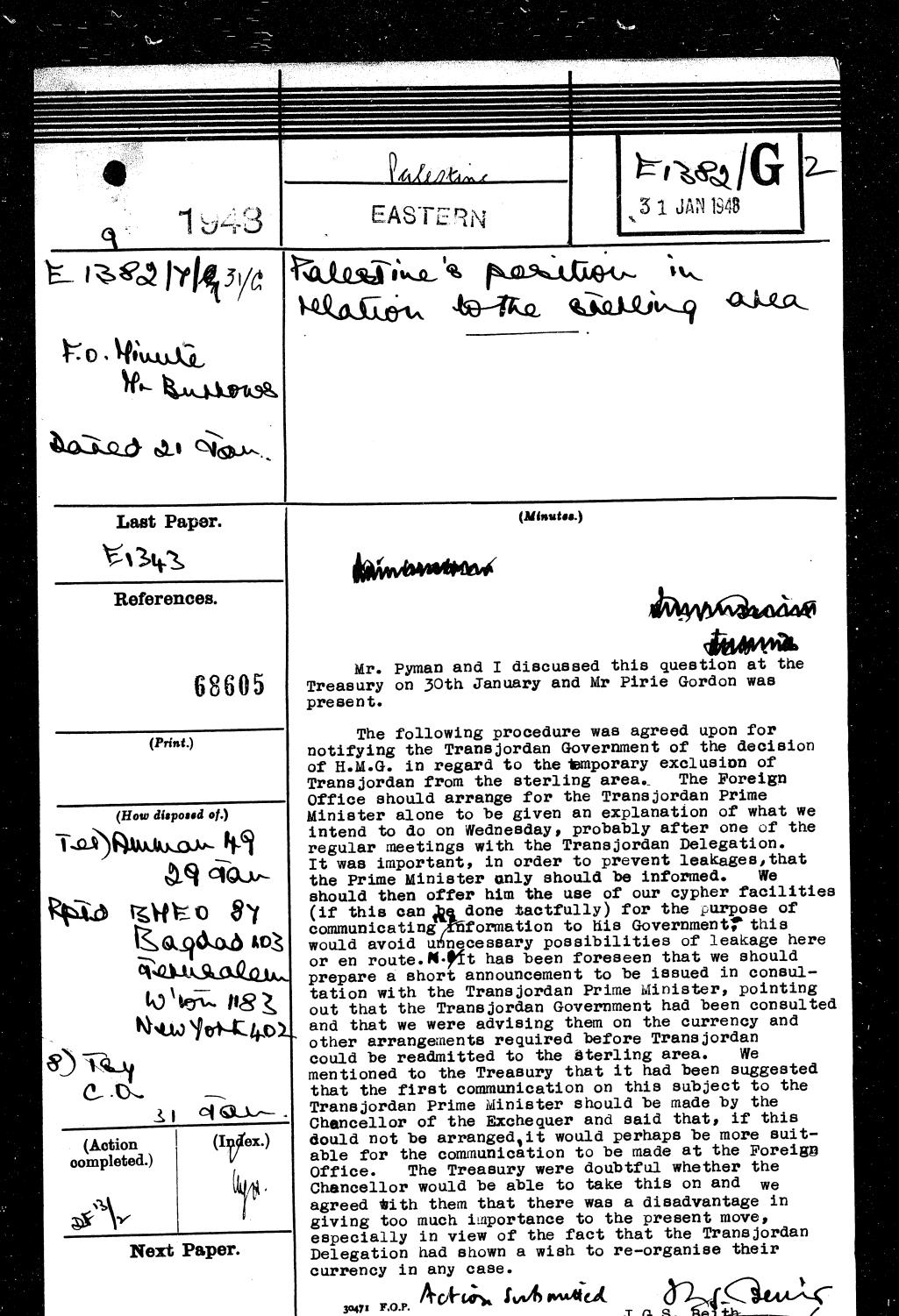
F.O. 371

1948

PALESTINE

FILE No.

10 1382 - 3350



I understand from the Trussing the

the excharin of Polistice and T.J.

is to be put off for a week. 2. -
anchofenham postion of our

southing to Tanfig Porha

this week is under consideration in the light
of this new hordspect.

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and in the way of in forming the mean

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decision to postone is find.

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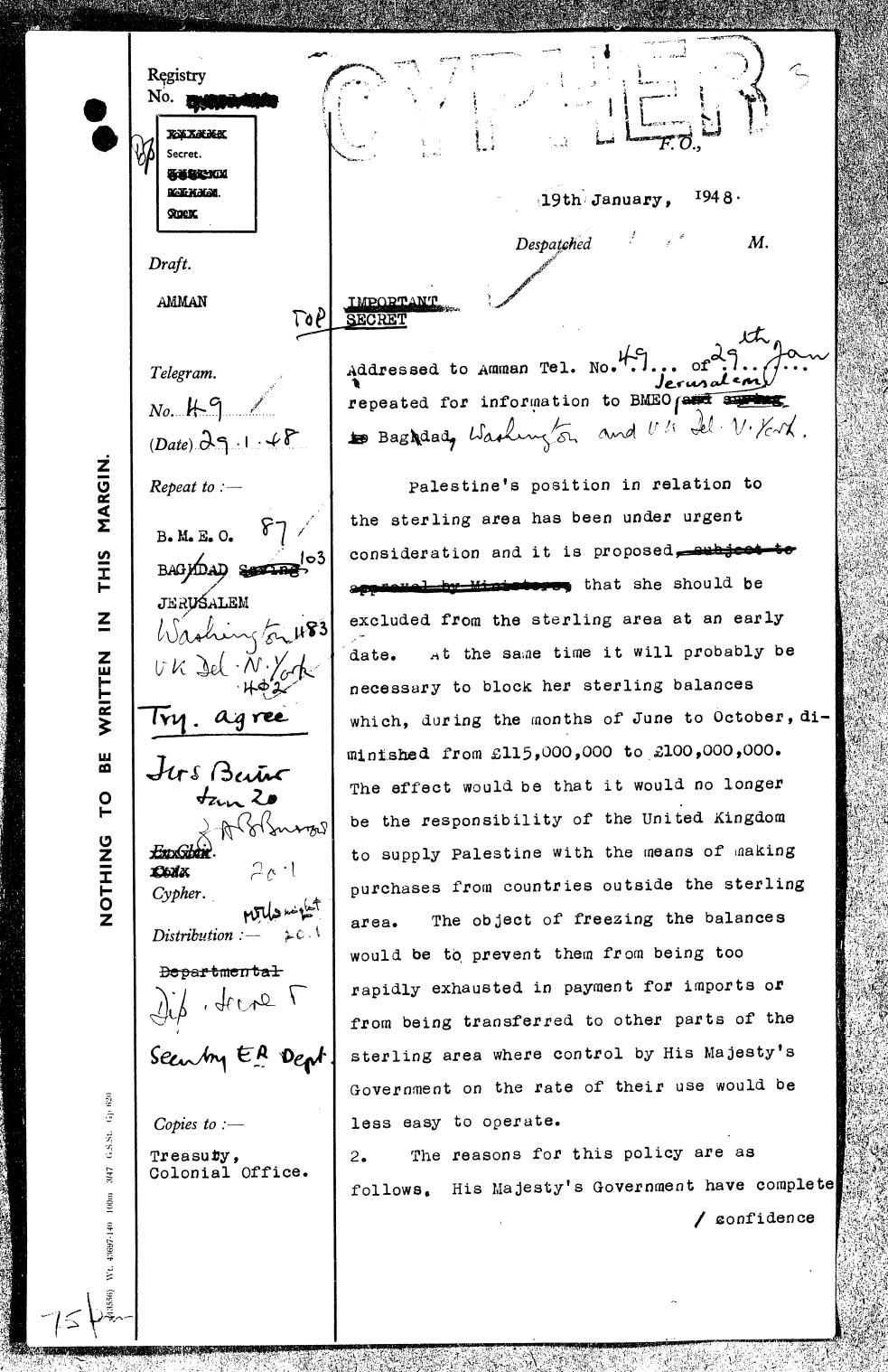
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confidence in the present Palestine exchange control. They can at present have no such confidence in the exchange control mechanism of the prospective successor states and would fear excessive demands on the works supplies of foreign currency and gold which are the central reserve of the sterling area.

Moreover, it is not practicable that the Palestine sterling balances should be turned into goods at a very rapid rate, nor would it be in accordance with the interests of Palestine itself that these balances should be dissipated too rapidly.

Since Transjordan uses the Palestine currency it is felt here that we have no choice but to exclude Transjordan also from the sterling area. We can however assure Transjordan that this is the only reason why we propose this step. As with the Sudan, when Egypt left the sterling area, the dangers of leakage if one of two adjacent territories using the same currency is within and the other outside the area, are too great to be faced. We contemplate however that as soon as Transjordan has been able to make other currency arrangements (possible by adopting that of Iraq) and can show that her exchange control arrangements are adequate to protect her and us, she would be free to rejoin the sterling area, if she wished to do eo. In the meantime, we propose to treat Transjordan, so far as concerns her own requirements, in exactly the same way as hitherto.

NOTHING TO BE WRITTEN IN THIS MARGIN.

PUBLIC RECORD OFFICE

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1 1 2 3 4 5 6 FOR STANDON

4/

4. The above is for your own information only at present. It is likely that Action will be taken and an announcement made on approximate Ly February 8th. We therefore propose to discuss the matter with the Prime Minister when he is in London and hope to be able to issue a statement, when the time comes, to the effect that the Transjordan Government have been consulted and have agreed. We shall of course, do our best to advise the Transjordan Government about the best substitute for the present Palestine currency, and the establishment of exchange control, on the assumption that they will wish to return as soon as possible to the sterling area.

Please let me have your comments wight

Han 21

NOTHING

[This telegram is of particular secrecy and should be retained by the authorised recipient and not passed on]

Cypher/OTP. Secret

DIPLOMATIC (SECRET)

FROM FOREIGN OFFICE TO AMMAN

No. 49.

D. 11.00 a.m. 30th January, 1948.

29th January, 1948.

Repeated to British Middle East Office Cairo No. 87

Bagdad No. 103

Jerusalem

Washington No. 1183

New York (U.K. Delegation) No. 402

IMPORTANT.

TOP SECRET.

Addressed to Amman telegram No. 49 of 29th January repeated for information to British Middle East Office Cairo, Jerusalem, Bagdad, Washington and United Kingdom Delegation New York.

Palestine's position in relation to the sterling area has been under urgent consideration and it is proposed that she should be excluded from the sterling area at an early date. At the same time it will probably be necessary to block her sterling balances which, during the months of June to October, diminished from £115,000,000 to £100,000,000. The effect would be that it would no longer be the responsibility of the United Kingdom to supply Palestine with the means of making purchases from countries outside the sterling area. The object of freezing the balances would be to prevent them from being too rapidly exhausted in payment for imports or from being transferred to other parts of the sterling area where control by His Majesty's Government on the rate of their use would be less easy to operate.

2. The reasons for this policy are as follows. His Majesty's Government have complete confidence in the present Palestine exchange control. They can at present have no such confidence in the exchange control mechanism of the prospective successor states and would fear excessive demands on the supplies of foreign currency and gold which are the central reserve of the sterling area. Moreover, it is not practicable that the Palestine sterling balances should be turned into goods at a very rapid rate, nor would it be in accordance with the interests of Palestine itself that these balances should be dissipated too rapidly.

3. Since Transjordan uses the Palestine currency it is felt here that we have no choice but to exclude Transjordan also from the sterling area. We can however assure Transjordan that this is the only reason why we propose this step. As with the Sudan, when Egypt left the sterling area, the dangers of leakage if one of two adjacent territories using the same currency is within and the other outside the area, are too great to be faced.

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We contemplate however that as soon as Transjordan has been able to make other currency arrangements (possibly by adopting that of Iraq) she would be free to rejoin the sterling area. In the meantime, we propose to treat Transjordan so far as concerns her own requirements, in exactly the same way as hitherto.

4. The above is for your own information only at present. Action will be taken and an announcement made on February 8th. We therefore propose to discuss the matter with the Transjordan Prime Minister while he is in London and hope to be able to issue a statement, when the time comes, to the effect that the Transjordan Government have been consulted and have agreed. We shall of course, do our best to advise the Transjordan Government about the best substitute for the present Palestine currency and the establishment of exchange control, on the assumption that they will wish to return as soon as possible to the sterling area.

5. Please telegraph your comments urgently.

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Reference:
Reference:371

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SAVING

som the High Commissioner for Palestine.

To the Secretary of State for the Colonies.

Date 24th January, 1948

30 Saving.

PRIORITY. TOP BECRET.

Your telegram 229. Palestine in Sterling Area.

Reference paragraph 6 of my telegram No. 160 I enclose the list of the 25 Palestine Banks which submit returns under the Banking Ordinance, together with the name of their respective U.K. branches or correspondents. It has been thought advisable, in order to prevent any intelligent guessing, not to approach the banks in question for any information at this stage, and the details shown have been obtained from the Examiner of Banks, supplemented from the Bankers Almanac.

- 2. In addition to the banks mentioned in the attached list there is also operating in Palestine the General Bortgage bank of palestine 1 td., a subsidiary of the Anglo-Balestine Bank Ltd. This bank is apparently not registered under the Manking Ordinance and does not submit the usual banking returns. It is suggested, however, that its balances in London should be frozen in company with other banks. Their London correspondents are the Anglo-Palestine Bank Ltd.
- 3. I presume you will inform me if you wish any Bank approached here for further information.
- 4. Reference paragraph 11 of your to. 19, I recommend allocation of releases of Sterling balances on the basis of the last column of the enclosed schedule. The total has been besed on £7 million and would therefore have to be scaled down by the amount of sterling granted for conversion to foreign currencies (para. 4 of my telegram No. 160 refers) .

84.1.48 IF

ur. Stewart.

MAR OF BASE	THE RICEON FRANCIES OR OPENINGS	2	SIEGENED BELLASS	4
1. Agreement (Agriculture) Building Book for Palgotine) 144.	Angle Palestine Bank Ltd., London	.002	340	250
2. Angle Palestine Bank Life.	Angle Palestine Bank Ltd., Lenkon	21.799	1,523,130	1,523,000
3. April Bank IAL.	Midland Bank Lad., London	4.961	347,270	347,000
4. Arab Batismal Book Ltd.	Midland Back Ltd., London	.997	6,790	7,000
5. Bask Atid Idd. (Surnerly Palestine Trade Bask Idd.)	Barelays Bark Led., Ulman Bark, London	.044.	3,680	3,000
6. Break P.K.O.	Not known		•	•
7. Bank Sharen for Building and Commerce	Not known	•	•	•
8. Bereleys Bask (D. C. and O.)	Bereleys Besk (D. C. and O.)	61.112	4,277,840	4,278,000
9. Control Bank of Co-operative Institutions in Palestine Ltd.	Not known	.004	280	250
19. Ellerm Brok Ltd.	Midland Bank Ltd., S. Japhet and Co. Ltd., S. Montage and Co., and Hombres Bank Ltd., London	-450	32,500	31,500
11. I.L. Founkmangur Bank IAA.	Hestminster Bank Ltd., Martins Bank Ltd., Barelays Bank Ltd., N.M. Hethschild and Sons, London	-474	33,180	33,000
12. Hoffmangs Benk Ltå.	M. Samuel and Co. Ltd., English Transcentimental, London	.026	1,820	2,600
13. Holland Bank Union	Not known	•	•	•
14. Jacob Japhet and Co. Ltd.	Westminster Bank Ltd., S. Mentaga and Co., London	.697	48,790	49,000
15. Klingers Bank	Barelays Bank (D. C. and C.)	.002	140	250
16. Kupert Am Besk Ltd.	Midland Bank Ltd., American Express Co. Inc.,	-444	31,680	J1,000
	Carried ever	30.0/2	6, 505,040	6,305,250

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General Mortgage Bank of Pelestine Ltd. Anglo Falestine Bank Ltd., London.

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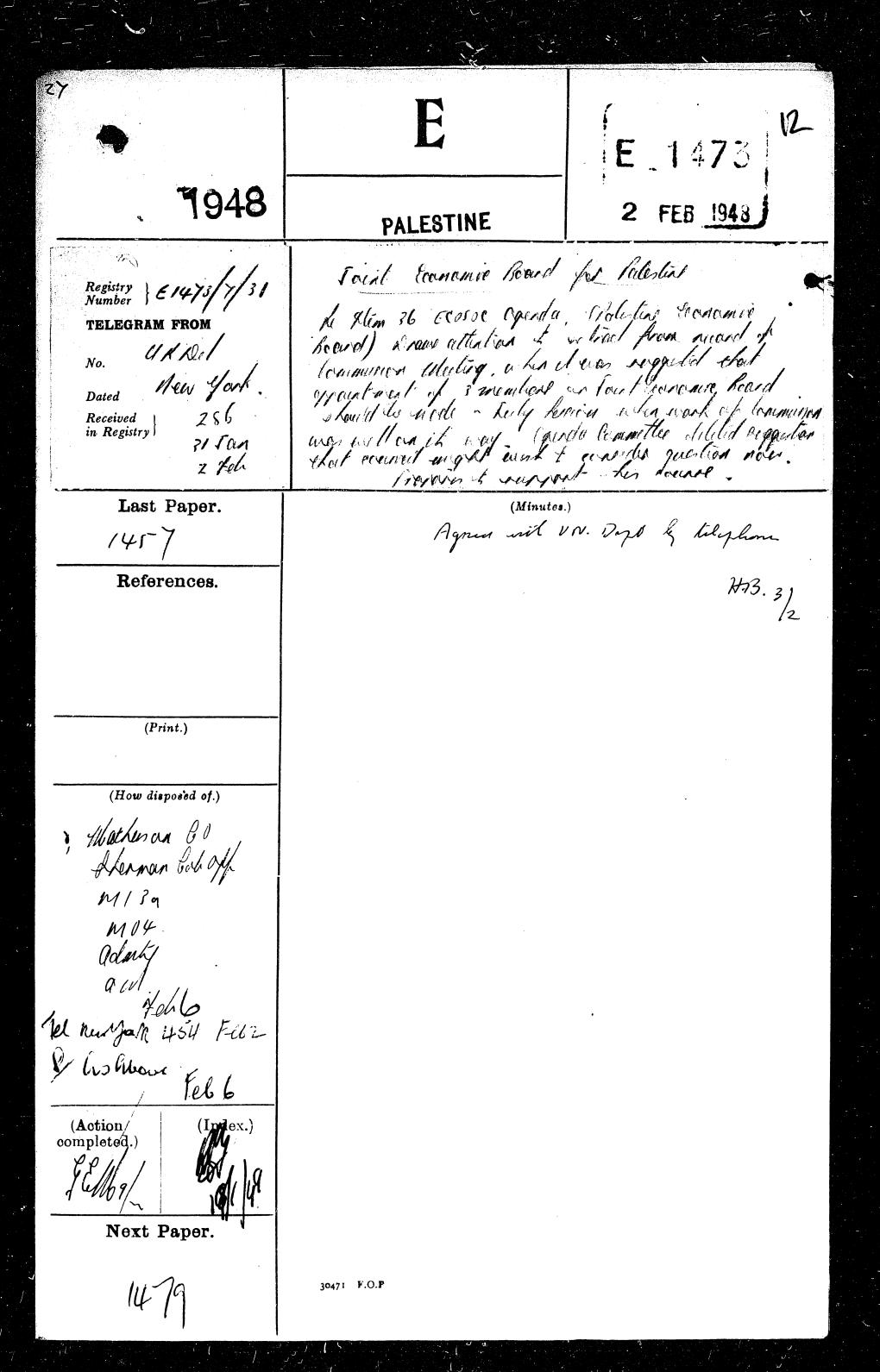
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Tel.: WHI. 3/5/ Extension 123. Communications on this subject should be addressed to:— COLONIAL OFFICE, THE UNDER-SECRETARY OF , DOVER HOUSE, and the felica felicanumber WHITEHALL, S.W.1. Your Reference..... 29/200/47. E1454 Dew Bith. Germet aby of Salitime Saugram No. 30 Seent njend A the High Commissioners telegram Mo. 160 para 6.) for poruse copies to Joseph and Min Toughnaue. pleur en un 45. - ly/mbs an short in supply: my for. J. G.S. Butt. Figs Forigin Office.

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FROM NEW YORK TO FOREIGN OFFICE.

(From United Kingdom Delegation to United Nations)

No. 286.

D. 5.45 p.m. 31st January, 1948.

31st January, 1948.

R. 11.30 p.m. 31st January, 1948.

Repeated to Washington Saving.

IMMEDIATE. FERTILE.

Addressed to Foreign Office telegram No. 286 of 31/1, repeated Washington Saving.

E.C.O.S.O.C. Agenda for Monday is Items 1, 2, 9, 36 and 38 from E/607.

2. See separate telegrams on Item 2.

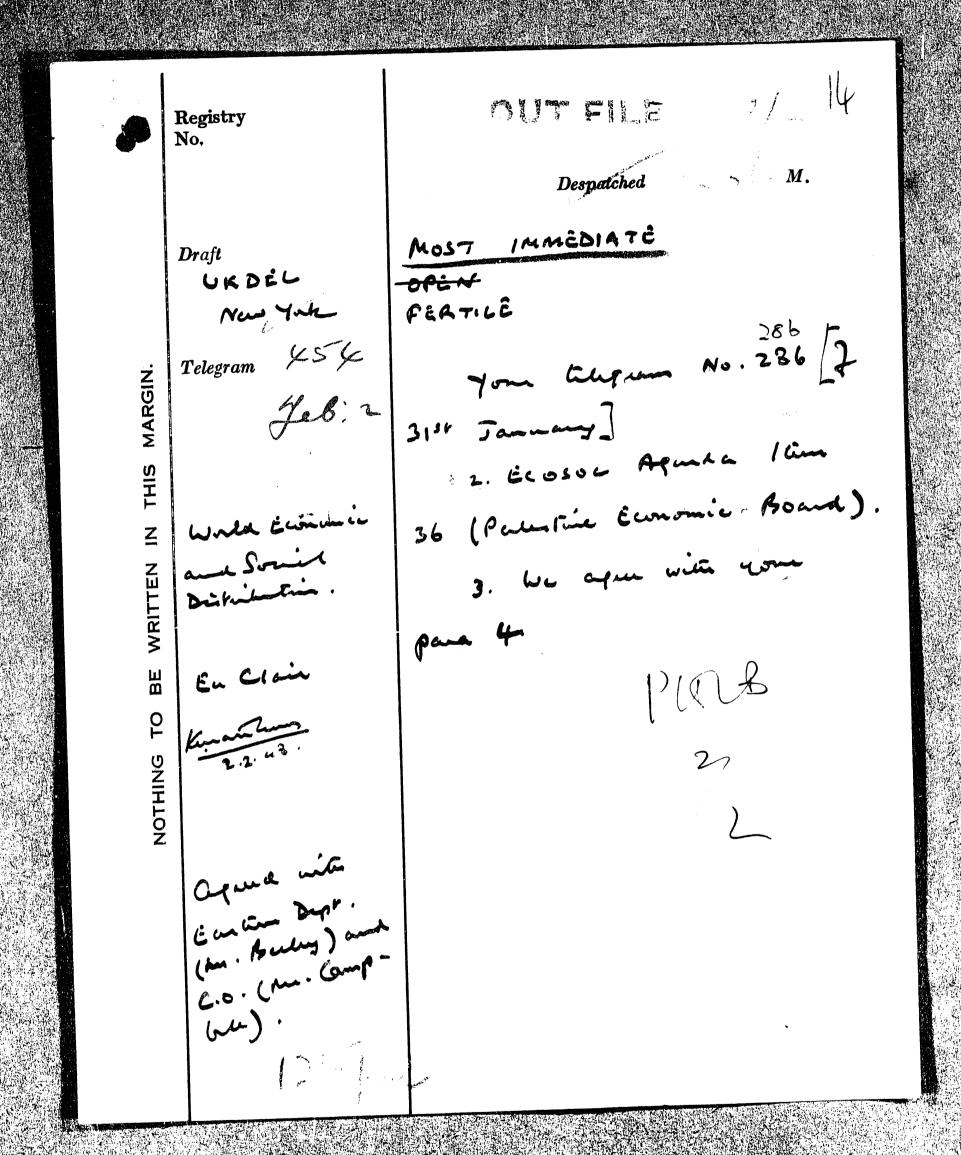
3. We have your instructions on all the others save 36 (Palestine Economic Board). Agenda Committee report on this draws attention to following extract from record of Palestine Commission meeting on January 19th (A/AC21/SR12).

[Begins] As regards the three members on the Joint Economic Board to be appointed by E.C.O.S.O.C. the chairman suggested that they should be appointed when the work of the Commission was well on its way, that is to say in the July session of E.C.O.S.O.C. The proposal was approved. [Ends].

Agenda Committee deleted a suggestion by the Secretariat that the Council might wish at this session to consider machinery for making the appointments and recommended postponing whole matter to July session.

4. Subject to your views we propose to support this course.

333



QUT FILE

En Clair

WORLD ECONOMIC & SOCIAL DISTRIBUTION

FROM FOREIGN OFFICE TO NEW YORK

(To United Kingdom Delegation to United Nations)

No. 454

D. 12.56 p.m. 2nd February, 1948.

2nd February, 1948.

MOST IMMEDIATE

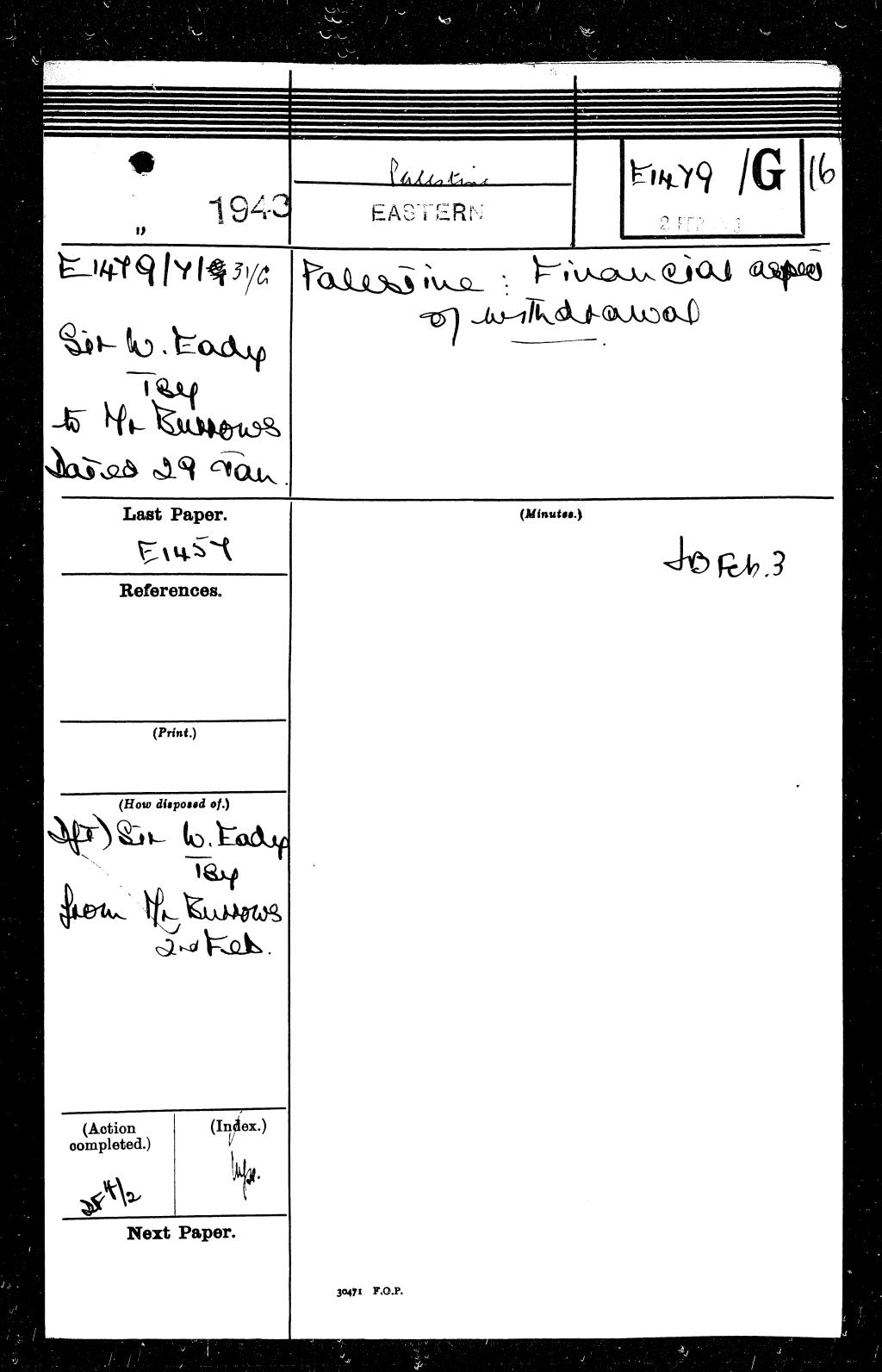
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Your telegram No. 286 [of 31st January].

- Board). Ecosol Agenda Item 36 (Palestine Economic
 - 3. We agree with your paragraph 4.

ZZZ

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Minutes

In new of huister of State's new or recorded in huiste below, we many agree that braight with the sufficient. I muderstand that Estem Debt. have in fact informed Treasury that they agree to braight going, o that re is making his havel awangements.

Himelyan.

Entember. Dreft Jotan 21

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Nothing to be Written in t

I am not aware how this has been left in discussions between Sir E. Hall-Patch or discussions between Sir E. Hall-Patch or Economic Relations Department and the Treasury, but it would certainly seem desirable that someone should be available to help Sir A. Cadogan with up-to-date Treasury briefing. Mr. Waight is due to go to Iraq as soon as the Iraqi Government finalise an agreement to appoint him as economic expert. We very nearly got this through with the Iraqi delegation while they were here and it only remained to settle the terms. Now that there is a new Government, we shall probably have to start all over again and we are most unlikely to reach finality until, say, two or three weeks' time. It would therefore be perfectly suitable from our point of view if Mr. Waight went to New York to help Sir A. Cadogan, provided that he was ready to return and go to Bagdad at very short notice at any time after, say, two weeks from now.

El Doff for In 29th January, 1948.

This of m april is only a partial Shitim. Let us and Waight by all means who can remain in N.T. It Si A. Cudojan's dignone for as long as necessary (+ hr. Waight is wouldly). But it may be necessy to shington Daight hy Smotorly from W'him who is fully penulian with The postions

Minutes

of the states wer of amplications comis - arise as They; may well do. I should therefore telm to my to Whom that Waight will he sit and direct from here, but And you cruis wines With theres be prepared to me up re-infraentsas recently from bit his Joh. In Thuck how, in my care, that the Minute of State is art, In principle, very happy what seding people the have lines: Le Munto much greater un Under he made of mi Wester Not. In this purhaulin ain. homewor, I think sendis how. the Minister of State State State

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FICE, LONDON



Treasury Chambers.

Ereat Ecorge Street,

S,**W**.1.

29th January 1948.

Dear Burrows,

E1479

<u>Palestine</u>

I confirm our telephone conversation that it is the strong wish of the Foreign Office that if we could manage it we should send somebody to help Cadagan on the technical and financial aspects in the paper submitted to the Cabinet.

I explained to you that it would be very difficult for us at this stage to send somebody from our "strength" at the Treasury, but that Waight is available until we learn the decision about his appointment to Iraq, and that he would be willing to go. We would be fully satisfied with his ability to advise Cadogan.

I understand that if he is going you think he should probably leave about Tuesday of next week.

I should be very grateful if you would let me know that we should make arrangements on this basis.

Yours sincerely.

B.A.B. Burrows Esq. Foreign Office.

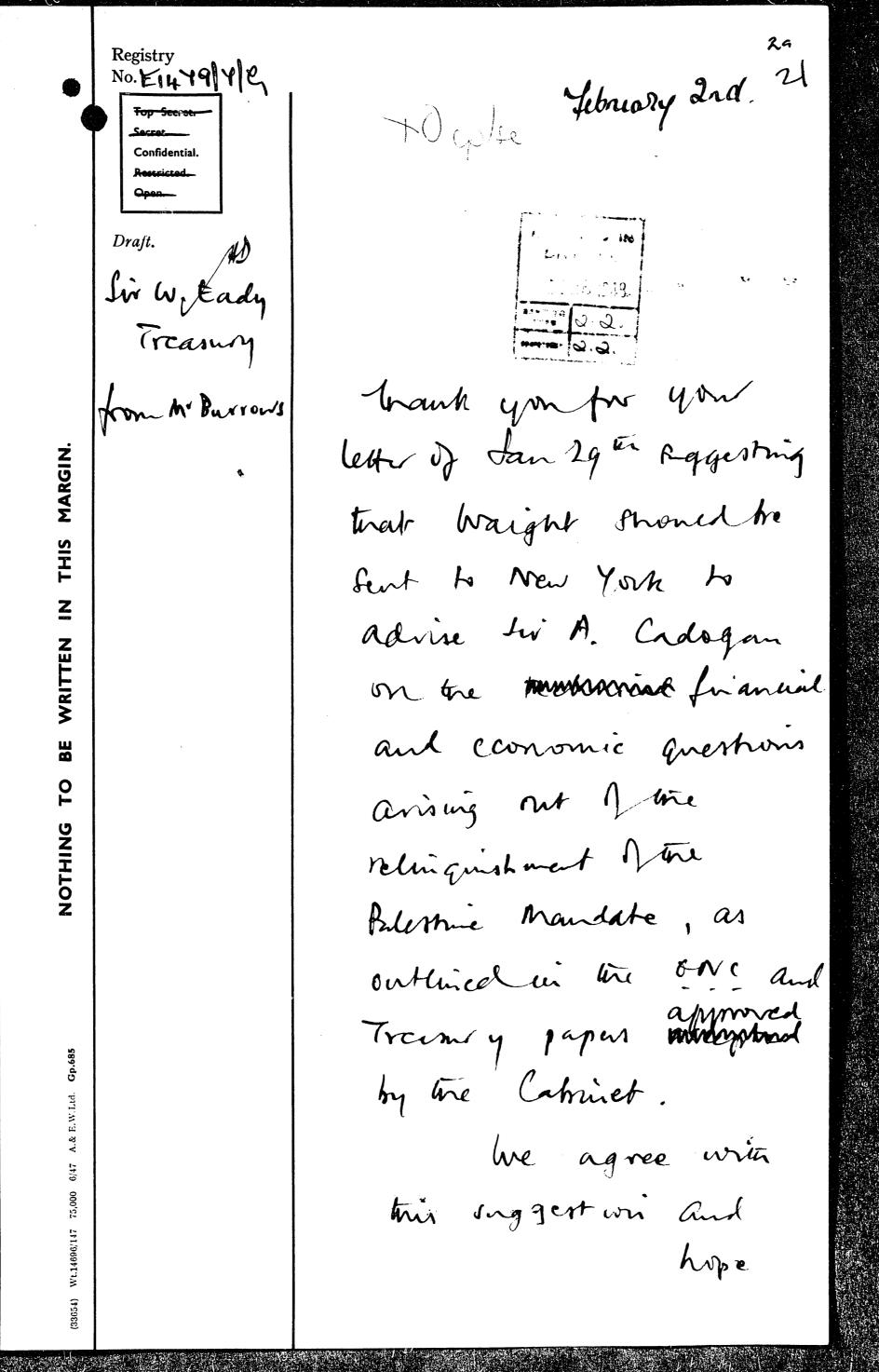
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Desparad Trevelyan, DEVEDIATE Rows-Dutton wrote to you on 21st January about Palestine. You need take

150 the party
no action on this since we are now proposing Ambassador, to send out somebody from U.K. Washington. 35 29.1.1948.



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hope hit waight will be able to be leve early work with week with the first of the form Feb. 2

OTHING TO BE WRITTEN IN THIS MARGIN.

FOREIGN OFFICE, S. W. 1.

2nd February, 1948.

OUT FILE

(E 1479/7/G) CONFIDENTIAL

Dear lady,

Thank you for your letter of the 29th
January suggesting that Waight should be sent
to New York to advise Sir Alexander Cadogan
on the financial and economic questions arising
out of the relinquishment of the Palestine Handate,
as outlined in the Overseas Negotiations
Committee and Treasury papers approved by the Cabinet.

he agree with this suggestion and hope that waight will be able to loove early this week.

(a. A. a. Rurrows)

Jir Wilfrid Eddy, K.C.B., K.B.E., Tressury.

371

E1503 /G alestine STEPN. Palesine cutter ey: Thousiordan views Sin A. Kirkbride Auman dated 2 Feb Last Paper. E1479 I attack the roppy prepared References. E1380/4/9 by the Treasury, which ! Enggest is quite all right on tre points of detail raised. The first para. does (How disposed of.) With 50 Cena. not accord with what Eastern Dept. Wanted done and Yel) Amman. Job. 3 on the underviability of letting the M. go uninformed. Peh. 5 ER. Dept. Next Paper. You

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Tel. fent

B Feb. 13

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TRANSJORDAN.

Press Statement (F.O. to clear with Amman)

H.M.G. and the Transjordan Government have been in consultation as to the position arising out of the departure of Palestine from the Sterling Area. Owing to the fact that Palestine currency is also the currency of Transjordan it is technically impossible for Transjordan to remain in the Sterling Area when Palestine leaves it, and arrangements are being made accordingly, in agreement between the two Governments. The Transjordan Government have however informed H.M.G. that they intend to make such currency and exchange control arrangements as will make it possible for Transjordan to return to the sterling Area. H.M.G. have undertaken to give all possible help and advice to this end, and in the meantime to continue to provide for the necessary foreign exchange requirements of Transjordan and to do everything in their power to minimise any inconvenience to the Transjordan Government and people.

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Cypher/OTP

DIPLOMATIC (SECRET)

FROM AMMAN TO FOREIGN OFFICE

Sir A. Kirkbride

No. 56

2nd February, 1948.

D. 3. 20 p.m. 2nd February, 1948.

R. 4. 10 p.m. 2nd February, 1948.

Repeated to U.K.Del. New York)
Washington)
Bagdad)
SAVING
B.M.E.O. Cairo)
Jerusalem)

IMPORTANT

Addressed to Foreign Office telegram No. 56 of February 2nd repeated Saving to United Kingdom Delegation New York, Washington, Bagdad, British Middle East Office Cairo and Jerusalem.

Top Secret

Your telegram No. 49 about currency.

This will come as a shock to the people and authorities of Transjordan, and I anticipate that we shall be asked three questions the answers to which will affect vitally the effect of the news on the local market:

- (a) Will present Palestinian currency be redeemed at par by Cufrency Board in due course.
- (b) Will Transjordan be able to continue to purchase from the United Kingdom at the present volume with Palestinian currency.
- (c) Will His Majesty's Government continue to provide Transjordan with hard currency for purchases outside the Sterling Area. I assume that the answers are in the affirmative. The last two may be covered by paragraph 3 of your telegram.
- 2. It is of interest in this connexion to note a new tendency to supply through Transjordan the needs of adjacent Arab areas of Palestine for imported goods. The practice will doubtless increase after the termination of the Mandate when the greater part of the coast-line of Palestine will be in Jewish hands and the Arab Areas probably without a Central Administration.
- 3. As regards the future, I suggest that Transjordan should be encouraged to come to terms for the use of Iraqi currency at least for a time. The creation of a new Trans-jordan currency might not be justified by the amount of money now in circulation here. [Copy sent to Middle East Secretariat]

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E1523/1	19
Ref.	Cypher Room use only Dispatch
Dear	
If you agree please despatch	TOP SECRET
Draft telegram to	IMMEDIATE Your telegram no. 25 Z REMAC of
H.M. WASHINGTON. 50 CAMER	7th February: Palestine_7.
Date q. 2. W8	You should see F.O. telegram to Amuse
* CYPHER COLLXBIX COLLER	Embassy No. 1574 explaining probable
Repeat to	delay in action. In view of this please
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Repeat to	U.S. Treasury without further instruction.
No. C. MER	JB Feb. 9
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T.1150-47	
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Tel. No.: Whitehall 1234



TREASURY CHAMBERS, 27 GREAT GEORGE STREET, LONDON, S.W.1.

q. 2. 48.

Dear Mr. Beith,

Treasury Reference

I enclose a draft CAMER telegram to Washington in reply to their 25 REMAC. Would you please substitute this for the draft, also numbered 50, which I sent you on Saturday. I think you will see no objection to despatching the revised draft today.

Yours sincerely,

J.G.S. Beith, Esq., Foreign Office.

Mary Loughnane

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Cypher/OTP

CAMER/REMAC

FROM FOREIGN OFFICE TO WASHINGTON

No. 50 Camer.

D. 8.22 a.m. 9th February, 1948.

9th February, 1948.

IMEDIATE

TOP SECRET

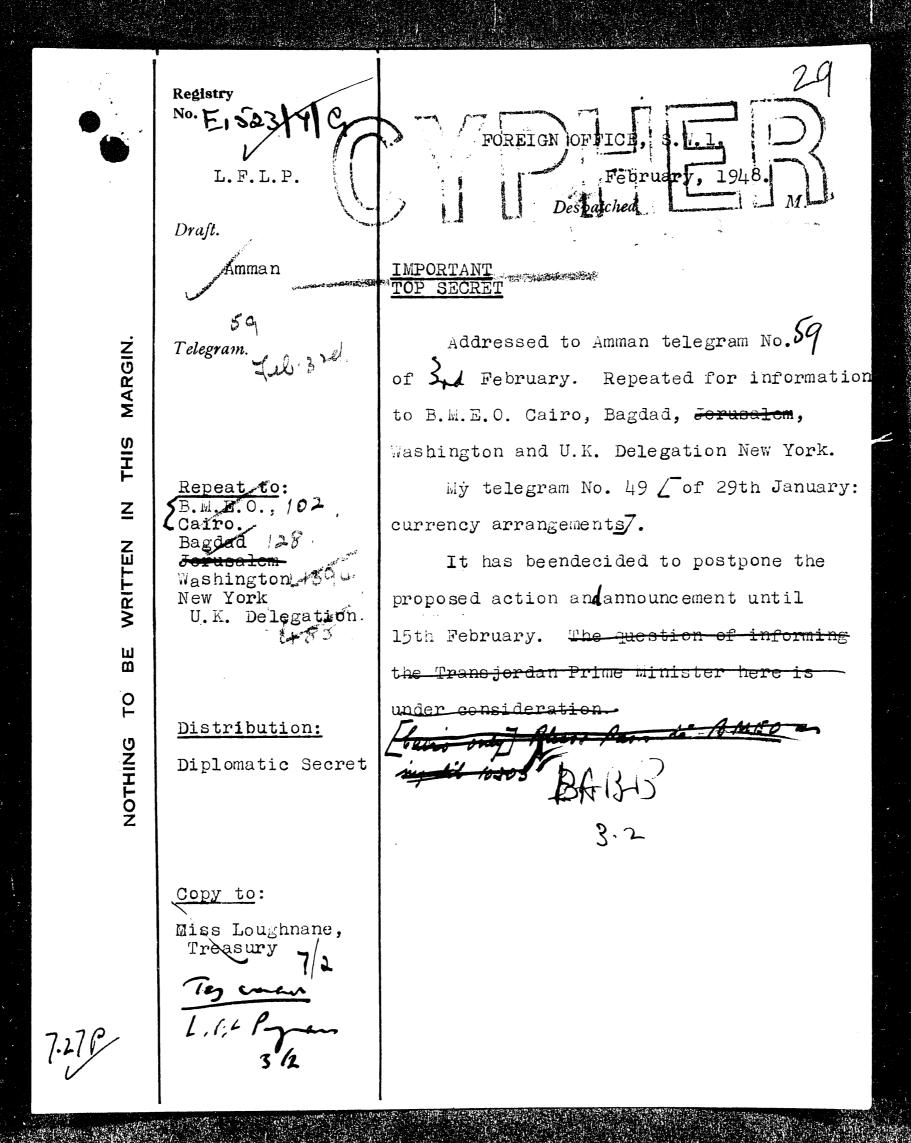
Your telegram No. 25 [Remac of 7th February: Palestine].

You should see Foreign Office telegram No. 79 to Amman repeated Embassy No. 1574 explaining probable delay in action. In view of this please make no (repeat no) communication to United States Treasury without further instruction.

EEE

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FROM FOREIGN OFFICE TO AMELAN.

No. 59.

5rd February, 1948.

D. 2.25 a.m. 4th February, 1948.

Repeated to B.m. L.O. Cairo No. 102, Bagdad No. 128,

Washington No. 1394, U.K. Delegation New York No. 485.

IMPORTANT.

TOP SECRET.

Addressed to Amman telegram No. 39 of 3rd February, repeated for information to B.M. E.O. Cairo, Bagdad, washington and U.A. Delegation New York.

my telegram No. 49 Lof 29th January: currency arrangements].

It has been decided to postpone the proposed action and announcement until 15th February.

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Dear Thlyman If you agree please despatch	IMMEDIATE 1/k //
Mary loughwave	Add h Ammen tel mo. 73 of Reg h Bagdad for its your tel. No. 56 My telegram No. 49 and your tel. No. 56
Draft telegrám to	We do not (popost not) now propose
H.M. Micita, AMMAN.	to break the news to Transjordan Prime Minister before he leaves London. We
	shall telegraph later asking you to inform
No. 15. CAMER	King and sending draft of a press
Date	or nuncoment
* CYPHER CODE FOR CENTER Repeat to Bajdal selow	Livingstone for his personal information
No. / Super Copies Comments	Land it Sooken to live we will about our
Repeat to	that he is already contemplating a change of currency. We shall do what we can to
No.	encourage him to adopt Iraqi dinars rather
DISTRIBUTION	than to introduce a separate currency, which would be a great extravagance for a country with so small a circulation and would take at least a year to prepare. (Iraqi dinars could probably be introduced within three months at the outside). It would of course be necessary to consult
Copies to	the Iraqi authorities and in this we should be willing to assist the Government of
The Lower way	Transjordan if they so desire.
	34. Meanwhile we shall do out best to ensure that Transjordan has adequate supplies
* Delete where	of Palestine currency notes in the event of conditions in Palestine making it
necessary	
	/impossible

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impossible for supplies to be made available from Jerusalem. We suggest that it would be desirable for the Ottoman Bank in Amman to hold a nest-egg.

- 4 %. We shall not (repeat not) block the sterling balances of Transjordán, most of which are we believe held through the Palestine branches of the banks. We must however block any sterling arising from the redemption of currency notes presented after 8th February by banks in Transjordan. This is necessary since redeminion monies of notes presented from Palestine will be blocked, and if the same arrangement did not apply to Transjordan there would be large-scale smuggling of notes from Palestine for redemption through Transjordan. After 15th February currency notes will be presentable for redemption only by banks.
- In her own interest Transjordan will need to extend exchange control to cover transactions in sterling and sterling area currencies. If she does not it will be an open invitation to residents of Palestine to use Transjordan as a Toophole for evading the Palestine exchange control, and Transjordan's sterling resources will be frittered away for other people's benefit. We should be glad to know whether this point will require new legislation or whether existing legislation could be modified and if so how soon.
- We have, as you know, for some time been disatisfied about the adequacy of Transjordan's import and exchange control. This is no reffection upon Livingstone who has, we fully realise, a most difficult task and inadequate time and staff for its performance. The position will become more serious when in due course Transjordan returns to the sterling area while Palestine remains outside. We should therefore take an early opportunity of urging the Transjordan authorities to tighten up their administration. We believe that something could be done if the banks could be induced to co-operate more closely.
- We fully realise that this is going to involve a good deal of extra work and innovation for the Transjordan

/Government

Government. We assume that not much can be done before Prime Minister returns, but meanwhile Livingstone may like to be turning over these matters in his own mind. Corran, from the Treasury side of the B.M.W.C. who is now in London for consultation, will arrive in Palestine on Friday, February 6th for a visit of a few weeks, and we suggest that he should arrange with you to pay a short visit to Amman as soon as possible. He and other Treasury of icials have discussed the whole subject with Pirie Gordon.

- 8. Your telegram No. 56 received since above paragraphs were drafted. Para. 1(a) Yes, in due course. Since the prospects of a new Palestine currency under UNSCOP report seem remote, we must accept responsibility for maintaining confidence in existing issue for an indefinite period. But see my para. 4 above.
- 9 3. Your para. 1(b). Departure of Transjordan from sterling area will not affect her freedom to use her sterling resources within the area. But see my para. 5 above. We should be prepared to consider making releases from blocked accounts arising from redemption of notes (see my para. 4 above) if this can be shewn to be necessary for Transjordan's own requirements.
- (c. M. Your para. 1(c) Yes, but we shall need to discuss method of limiting this so that Transjordan does not (as suggested in your para. 2) become a means of our providing dollars for adjacent Arab countries. AB Rh. 6

[Seen by Swis. Hau-Patsh: My poroved by or Burnwill

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[This telegram is of particular secrecy and should be retained by the authorised recipient and not passed on].

Cypher/OTP

DIPLOMATIC (SECRET)

FROM FOREIGN OFFICE TO AMMAN

No.73 D.12.05 a.m. 7th February, 1948 6th February, 1948

Repeated to Bagdad No. 144.

IMMEDIATE TOP SECRET

Addressed to Amman telegram No.73 of 6th February, repeated to Bagdad (For information).

My telegram No.49 and your telegram No.56.

The further information given may at your discretion be imparted to Mr. Livingstone for his personal infortmation only.

- about this but understand that he is already contemplating a change of currency. We shall do what we can to encourage him to adopt Iraqi dinars rather than to introduce a separate currency, which would be a great extravagance for a country with so small a circulation and would take at least a year to prepare. (Iraqi dinars could probably be introduced within three months at the outside). It would of course be necessary to consult the Iraqi authorities and in this we should be willing to assist the Government of Transjordan if they so desire.
- Transjordan has adequate supplies of Palestine currency notes in the event of conditions in Palestine making it impossible for supplies to be made available from Jerusalem. We suggest that it would be desirable for the Ottoman Bank in Amman to hold a nest-egg.
- 4. We shall not (repeat not) block the sterling balances of Transjordan, most of which are we believe held through the Palestine branches of the banks. We must however block any sterling arising from the redemption of currency notes presented after 8th February by banks in Transjordan. This is necessary since redemption monies of notes presented from Palestine will be blocked, and if the same arrangement did not apply to Transjordan there would be large-scale smuggling of notes from Palestine for redemption through Transjordan. After 15th February currency notes will be presentable for redemption only by banks.

5.

5. In her own interest Transjordan will need to extend exchange control to cover transactions in sterling and sterling area currencies. If she does not it will be an open invitation to residents of Palestine to use Transjordan as a loophole for evading the Palestine exchange control, and Transjordan's sterling resources will be frittered away for other people's benefit. We should be glad to know whether this point will require new legislation or whether existing legislation could be modified and if so how soon.

6. We have, as you know, for some time been dissatisfied about the adequacy of Transjordan's import and exchange control. This is no reflection upon Livingstone, who has, we fully realise, a most difficult task and in adequate time and staff for its performance. The position will become more serious when in due course Transjordan returns to the sterling area while Palestine remains outside. We should therefore take an early opportunity of urging the Transjordan authorities to tighten up their administration. We believe that something could be done if the banks could be induced to co-operate more closely.

7. We fully realise that this is going to involve a good deal of extra work and innovation for the Transjordan Government. We assume that not much can be done before Prime Minister returns, but meanwhile Livingstone may like to be turning over these matters in his own mind. Curran, from the Treasury side of the B.M.H. . who is now in London for consultation, will arrive in Palestine on Friday, February 6th for a visit of a few weeks, and we suggest that he should arrange with you to pay a short visit to Amman as soon as possible. He and other Treasury officials have discussed the whole subject with Pirie Gordon.

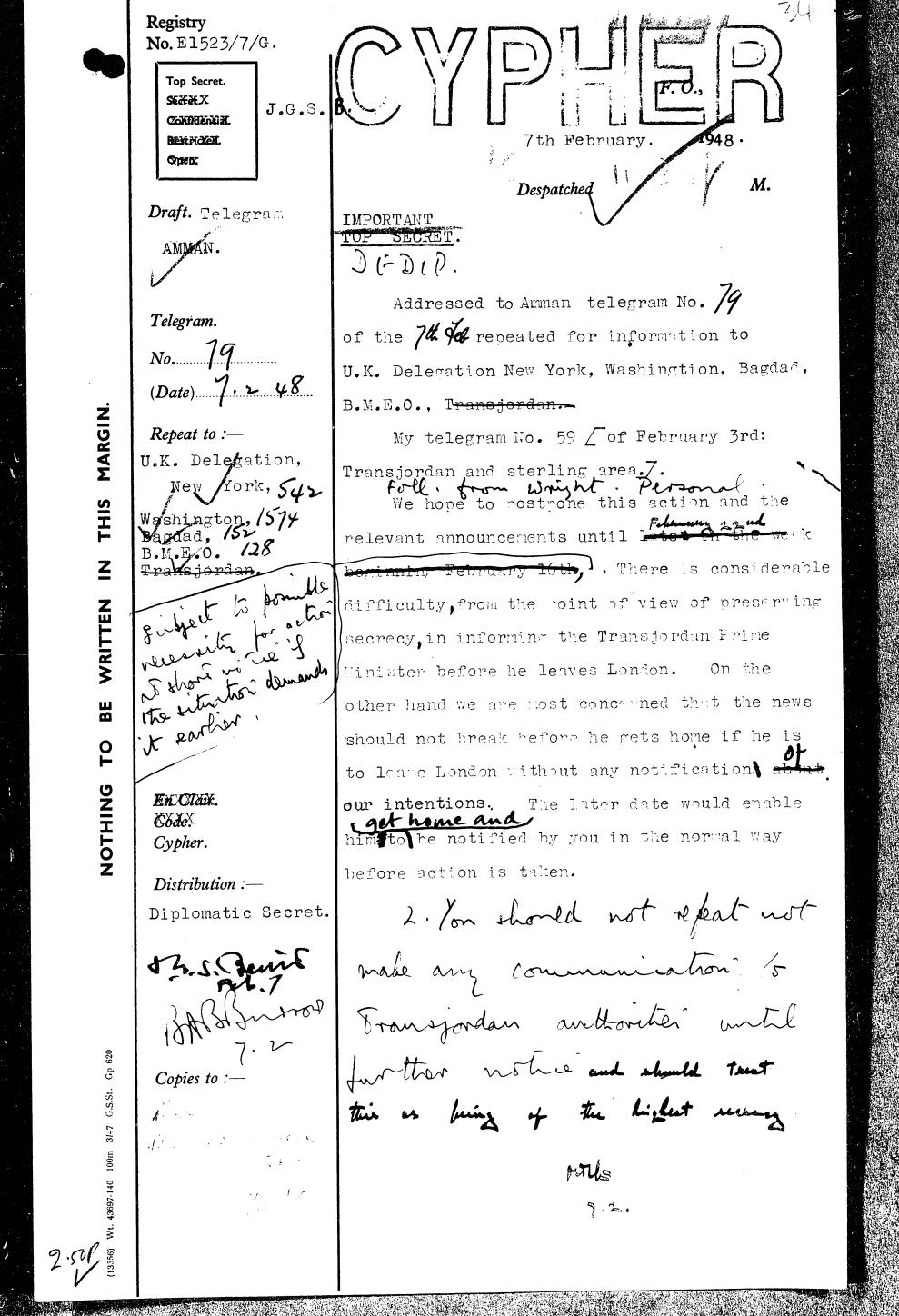
8. Your telegram No.55 received since above paragraphs were drafted. Paragraph 1 (a) Yes, in due course. Since the prospects of a new Palestine currency under UNSCOP report seem remote, we must accept responsibility for maintaining confidence in existing issue for an indefinite period. But see my paragraph 4 above.

9. Your paragraph 1(b). Departure of Transjordan from sterling area will not affect her freedom to use her sterling resources within the area. But see my paragraph 5 above. We should be prepared to consider making releases from blocked accounts arising from redemption of notes (see my paragraph 4 above) if this can be shown to be necessary for Transjordan's requirements.

10. Your paragraph 1(c) Yes, but we shall need to discuss method of limiting this so that Transjordan does not (as suggested in your paragraph 2) become a means of our providing dollars for adjacent Arab countries.

[Seen by Sir E. Hall-Patch: approved by Mr Burrows].

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CYPHER/OTP

FROM WASHINGTON TO FOREIGN OFFICE

Lord Inverchapel.
No. 22 REMAC.

D: 8.32 p.m. 2nd February, 1948.

2nd February, 1948. R: 2.25 a.m. 3rd February,1948.

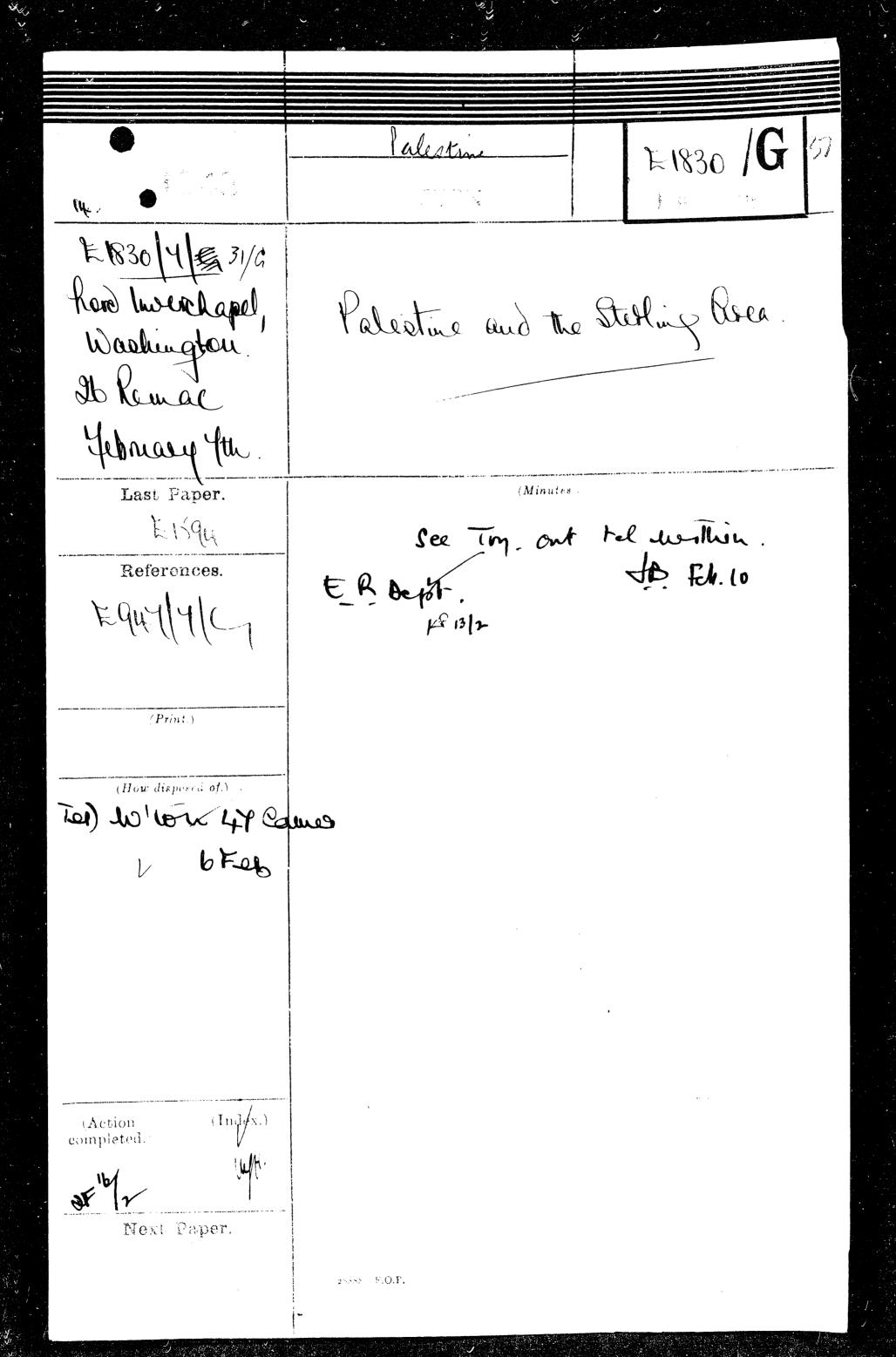
IMPORTANT

Palestine.

Your Camer 35.

- Thank you.
- Shall be interested to hear who and when in case it may be of mutual advantage to contact him on arrival. **@**@@





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Palestini Sterling Aren Linea serding zur earlier minutes A-day I have jud seen Jelynn (REMAC) 26/ from Warhington. Frenter train any Mung we had hitherto Contemplation. Consequently The telegrams we how send on this subject must make criptal clear what is to be done hy Whom I linkage tohes place as it almost certainly will.

I understand that this represents the agreement reached between the Secretary of State and the Chancellor of the Exchequer this morning. The news that we cannot tell the Transjordan Prime Minister while he is here, as the Treasury had previously agreed, is extremely disappointing, as he will no doubt accuse us of bad faith if we take this very important action with regard to Transjordan a few days after he leaves here and before he will have returned to Transjordan, and without having said anything to him about it. I do not know whether this point of view was put to the Chancellor and whether the decision is quite irrevocable.

We have already telegraphed to Sir A. Kirkbride about the action that is going to be taken. He has replied with some questions, which the Treasury are now dealing with. As soon as we have the answer to them, he will be ready to take action with King Abdullah whenever we give him the word. Mr. Pirie-Gordon, who is now here with the Transjordanian party and is No. 2 at the Legation at Amman, would normally return there, leaving here early next week by air. It is important that he should continue to be here while the talks with the Transjordanians are going on and, as we are already dealing with Sir A. Kirkbride by telegram, I trust that we can interpret "forthwith" as meaning in a few days' time (as I believe was once done before on a historic occasion).

The arrangement proposed about the Americans seems the best we can hope for in the circumstances.

Mr. Wright.

Sir E. Hall-Patch.

4th February, 1948.

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I guther that there have been frother developments. W. M. Dright apprently prob it to the Try (Si W Eady that we should be accused of God faith of we let the Prime himiter return to his Crusting without saying a word to him to this subject. W Wright suggeted that the announcement Thould be defended for a week 20 as & allow the f. My. & get home, a the Kirkbride world who the announcement both Lum & This King, Try apprecently agreed but said there was orlivays increased danger Unhage the longer the announce. met was defined. If a taskage did oran they would home to not guickly P.M. Reely! whith hit. As & W'Emi I do not have I the developments mentiment in S. O. Snywh's

NOTHING TO BE WRITTEN IN THIS MARGIN.

minute. I still thought and Cruel I mes was to make The amount I the time toth permitted. Please beep in truck with Ty. It cusure Und There is no slip up on this important question, as I shall probably have to go to Borton in Monday. 1. M. Trevelyen Agy. 2. Tostan Durk P.S. Jan Should see

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the S/Stati agreed that this potpoment would enoble the announcement to be most varning & he given & hot. morball by hot auch Imes as originally intended. of however there was a leakage The barning bruld have to he give by the Sudney. All the inser require mme careful by hjing-up in Washington and with W. Cruch Imes, and with the Trensury and the Tay Alelystin a Washington. (see Hurhingtin' lityrin NO.603 & Washington Remac No. 25). Vinla Econnin Relations Ight o Enstern Dept. he good crowth to see their are no lorse ends? I am My & Berlin A down & morrow, but Sis W. Judy was present, as well as myself, at the discussion Ibehven

Minutes.

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the SIS and the humally of the Suchapur, and he will be able to Ingoly any further details which are not covered in this minute.

Mr. Burns (Sustein Dyst)

[This telegram is of particular secrecy and should be retained by the authorised recipient and not passed on]

Cypher/OTP

CAMER/REMAC

FROM WASHINGTON TO FOREIGN OFFICE

No. 26 Remac 7th February, 1948.

D. 5.30 p.m. 7th February 1948. R. 10.50 p.m. 7th February, 1948.

IMMEDIATE

TOP SECRET

Camer No. 47.

- 1. There has of course been a considerable amount of speculation as to what our intentions may be and, before we were informed of your plans, Christelow at end of meeting on other subjects was questioned by members of United States Treasury as to news of our intentions in Palestine. There was a certain amount of speculation as to the possibility of Palestine leaving the sterling area. Looking back upon this it was probably unfortunate, but it is improbable that such speculation could have been prevented anyway.
- 2. I feel you should know that Harold Glasser, who was formerly with United States Treasury, has now become director of a certain Jewish agency in New York. (Playfair has press cutting). I am given to understand that his function is to advise Jewish organisations on precisely questions of this type; and I have little doubt that this informed and intelligent person has reached the conclusion that we must put Palestine out of the sterling area and has advised that measures be taken in the light of this.
- 3. We will of course have no opportunity of further impressing upon people to whom he spoke necessity for absolute secrecy.

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IMMEDIATE. TOP SECRET.
American Treasur representative
here (Glendining) understands that
U.S. Treasury have gathered from
Christelow that we intend to put
Palestine outside the Sterling Area.
We have not (repeat not)

informed them here, and we hope you can impress on the people he spoke to that this is at present only an obvious possibility but that serious mischief might result if it was discussed in any way or with any other individual until the situation has become more clear than it is at present.

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Cypher/OTP Top Secret

CAMER/REMAC DISTRIBUTION

FROM FOREIGN OFFICE TO WASHINGTON

D. 8.55 p.m. 6th February, 1948 No.47 Camer 6th February, 1948

IMMEDIATE

TOP SECRET

American Treasury representative here
(Glendining) understands that United States
Treasury have gathered from Christelow that
we intend to put Palestine outside the Sterling Area.

We have not (repeat not) informed them here, and we hope you can impress on the people he spoke to that this is at present only an obvious possibility but that serious mischief might result if it was discussed in any way or with any other individual until the situation has become more clear than it is at present.



Treasury Chambers.

Ereat George Street,

S.W.1.

46

4th February, 1948.

TOP SECRET

Dear Burrows,

I got Eady to dictate a note about the Palestine information arrangements and enclose it so as to have it on record between you and ourselves.

Yours sincerely,

B.A.B.Burrows, Esq.,
Foreign Office,

£7

- 1. British representative from Transjordan will return forthwith and will ask Kirkbride to inform King about our proposed action. The Transjordan Prime Minister will not be told over here this week.
- 2. Telling the U.S.: Mr. Creech Jones will be going to Washington either at the end of this week or the beginning of next week. He will seek interview with Henderson of State Department, who is trustworthy, about 12th or 13th, and will then seek interview with Marshall, to whom he will tell our plan. There will thus be not more than two days between knowledge of State Department and our action. All this business to be confirmed at each step with Hall-Patch.

E1914 /G 10-3 E 1914 14 月 31/G Palerine and the viewing alea washington 603 dated Y Feb. Last Paper. (Minutes.) E1830 Action submitted References. Shown to Ty. E1529/4/9. Copy to mis horyhnere, Try AB FANI (Print.)(How disposed of.) enoughofee: 11(8 12 Feb. (Index.) (Action completed.) Next Paper. 274,37 F.O.F.

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Cypher/OTP

PRISEC

FROM WASHINGTON TO FOREIGN OFFICE

Lord Inverchapel.

No. 603.

D. 5.56. p.m. 7th February

7th February 1948.

R. 10.59. p.m. 7th February

Repeated to U.K. Delegation New York.

IMMEDIATE

DEDIP

TOP SECRET

Addressed to Foreign Office telegram No. 603 of 7th February repeated to United Kingdom Delegation New York.

Following personal for Secretary of State.

Your telegram to Amman No. 59.

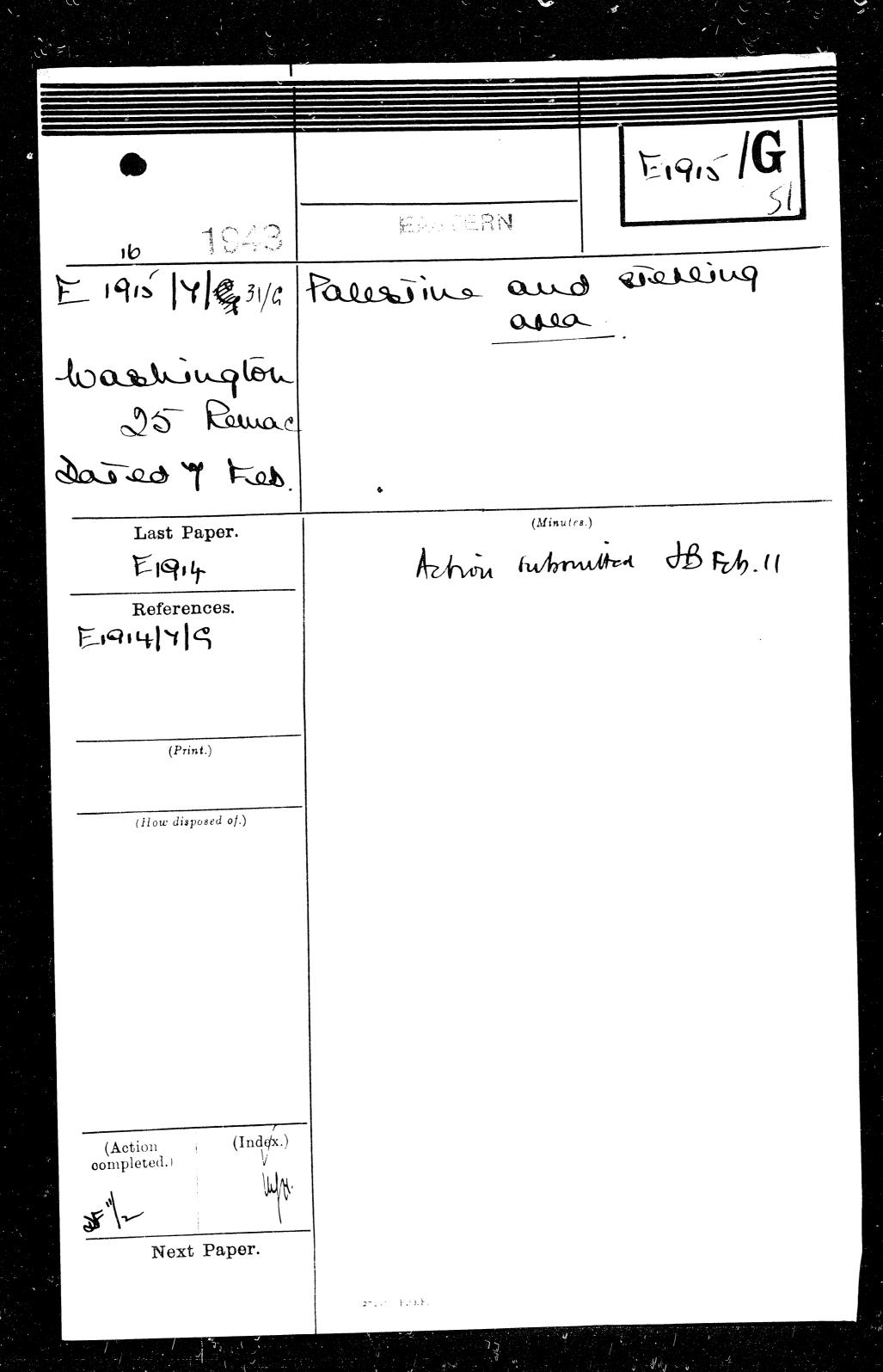
Palestine and the sterling area.

Waight has now arrived and has informed us of what is proposed for 15th February.

- 2. On the assumption that it is your wish that the United States Government should be given advance notice of your intentions, I propose if you agree to inform Mr. Marshall of your plans by letter say on 13th February and that Waight might at the same time orally inform officials concerned in United States Treasury.
- 3. I should be grateful for an early expression of your views.

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TOP SECRET

SIS saw he Charallor on Sunday - see now wink by Si. E. Hall-Parch. Th

NOTE FOR THE SECRETARY OF STATE FOR CONVERSATION 9/2

ON SUNDAY FEBRUARY 8TH.

Palestine, Transjordan and the Sterling Area.

An announcement has to be made shortly that Palestine and Transjordan are being excluded from the Sterling Area. It is hoped that the announcement about Transjordan can include a statement that this has been discussed with the Transjordan Government who accept the necessity of the step and that as soon as alternative arrangements have been made for Transjordan currency Transjordan can if she wishes be re-admitted to the Sterling Area. It has been agreed by the Cabinet that the U.S. Administration should be informed a short time in advance.

Recommendation.

The Secretary of State should secure the Chancellor's agreement to postpone the action and the announcement for about a week, preferably until Tuesday 24, subject if necessary to agreement that the Treasury may have to take emergency action meanwhile.

It was intended that this step should be taken on Saturday night February 14th. The Treasury were unwilling that we should speak to the Transjordan Prime Minister during his stay here. We have represented to them that if the announcement is made on February 14th this will be while he is on his way back to Transjordan and that if we did this we should expose ourselves to a very justifiable charge of bad faith since it would have been obvious that we knew about the decision while the Transjordan Prime Minister was here and yet kept it dark from him. H.M. Minister at Amman has reported that the decision has in his view come as a severe shock to opinion in Transjordan and we ought therefore to take all possible precautions in the matter of timing to reduce the unfortunate impact of the decision.

It has been suggested to the Treasury that the announcement should be postponed from February 14th for about a week subject to the Chancellor's approval. They have agreed to do this provided that if at any time meanwhile there is an obvious run on the balances they will have to take the necessary action at about twenty-four hours notice.

If the announcement can be postponed about a week H.M. Minister at Amman will be able to inform the Transjordan Prime Minister two or three days in advance after the latters return from this country. This would be much the most satisfactory arrangement from our point of view.

As regards the Americans it was arranged that the Colonial Secretary should inform the State Department and Mr. Marshall shortly after his arrival in America for the Security Council. He is almost certainly leaving on the "Aquitania" this weekend and is due in America about the end of the week. He would therefore not have been able

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to/

to carry out this plan if the original date of February 14th was adhered to. Postponement is thus an advantage from this point of view also. It would be desirable that the date should be postponed until Tuesday February 24th if possible so as to give time for the Security Council discussion on Palestine to have been got over first. Otherwise the announcement coming in the middle of the debate may add considerably to our difficulties which will in any case be formidable.

We must probably accept the Treasury suggestion that emergency action may be necessary meanwhile and that in that case they would give us the longest possible notice in order that even a few hours advance warning might be given to the U.S. Government and the Transjordan Government.

BASIZINON

7th February, 1948.

Morte Laming to

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This is the 5/5's advance copy of this teligram. The question was discussed between the S/S and the Ch. J the Ex. this afternom. Mu C. J Ex. agreed to defer the date of announcement to Jet 22mm. & allow time for the Prime hunter I drigordania to arrive home, an the understanding that if, in the interial, there was a centrage as I am intentions the Treasury would have to act. I am minuting 1= R. Dept. and Enstern Dept. to the spect. Mu Brothe Serving 87.

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Cypher/OTP

CAMER/REMAC

FROM WASHINGTON TO FOREIGN OFFICE

Lord Inverchapel No. 25 Remac D. 5.47 p.m. 7th February, 1948. 7th February, 1948. R. 11.15 p.m. 7th February, 1948.

IMMEDIATE TOP SECRET

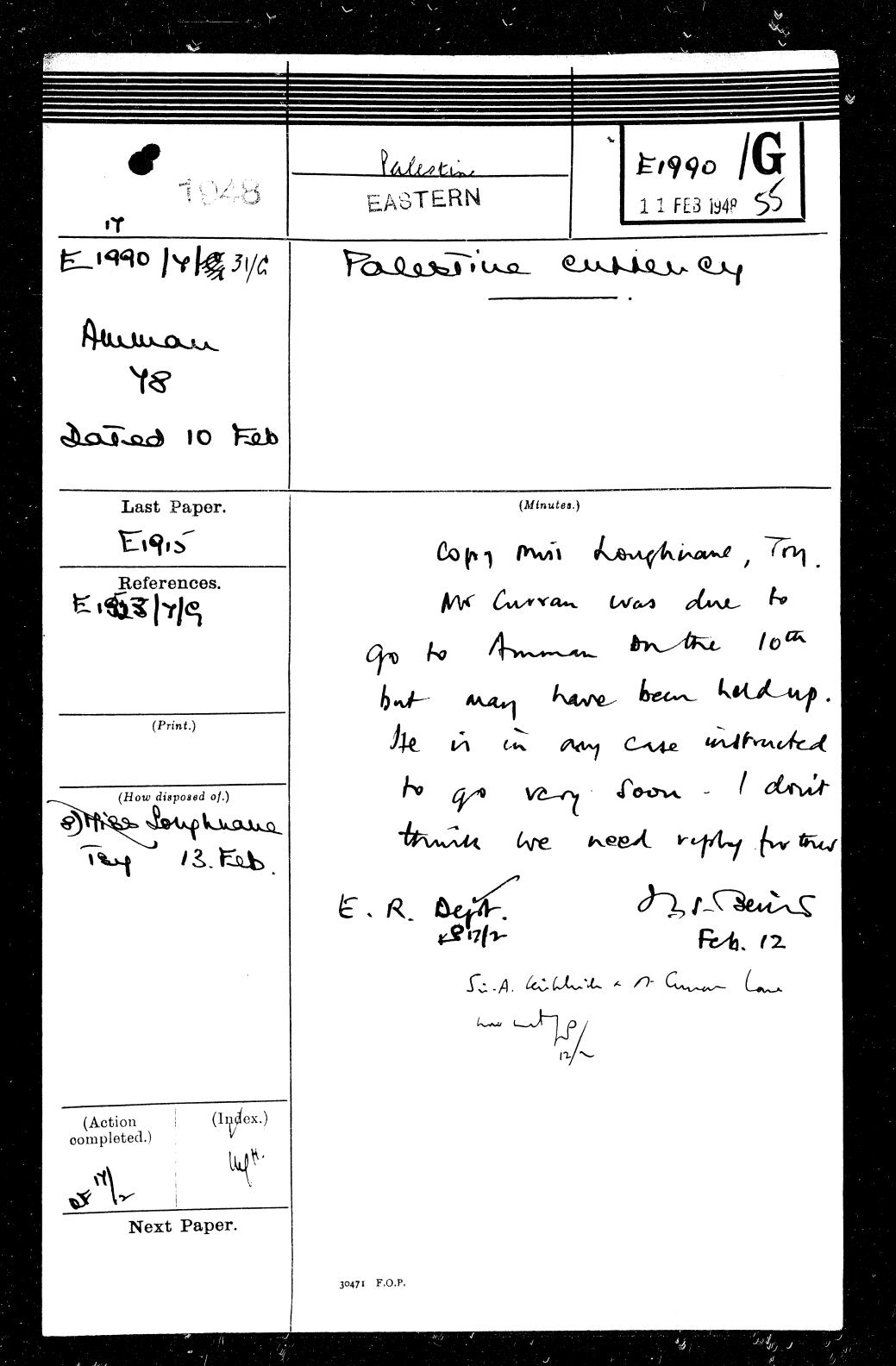
Waight has arrived and has reported to me.

2. I propose if you agree to inform a very limited number of top officials (possibly Southard and Loy Henderson only) of our proposed moves on Friday 13th. I think it almost certain that on February 15th they will be questioned from many directions and it will pay us to keep them fully briefed so that they may put our case in as favourable a light as possible. I am suggesting to Waight that he should now leave for New York and report to Cadogan but that he should return here on Friday in order to speak to American officials as proposed above.

3. I am of course acting in concert with Ambassador who is telegraphing separately (personally to Secretary of State) telegram No. 603 to Foreign Office.

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Cypher/OTP

DIPLOMATIC (SECRET)

FROM AMLIAN TO FOREIGN OFFICE.

Sir A. Kirkbride Ne. 78

D. 4.54 p.m. 10th February 1948 R. 6.45 p.m. 10th February 1948

10th February 1948 Repeated to Jerusalem.

TOP SECRET.

Addressed to Fereign Office telegram No. 78 of Tebruary 10th repeated for information to Jerusalom.

Your telegram No. 79 about Palestinian currency.

I hope Curran will visit Amman as soon as possible.

The matter is of so technical a nature that I feel it will be essential for him to be here when I discuss the matter with the Transjordan Government so that he can elucidate any points raised which are beyond Livingston and mysolf.

[Copy sent to Middle Hast Secretariat].

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Cypher/OTP

DIPLOMATIC (SECRET)

FROM AMERIN TO FORTIGE OFFICE.

Sir A. Hirkbride D. 4.54 p.m. 10th February 1948
No. 78 R. 6.45 p.m. 10th February 1948

10th February 1948
Repeated to Jerusalem.

TOP SECRET.

Addressed to Foreign Office telegram No. 78 of ebruary 10th repeated for information to Jerusalem.

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I hope curran will visit amman as soon as possible.

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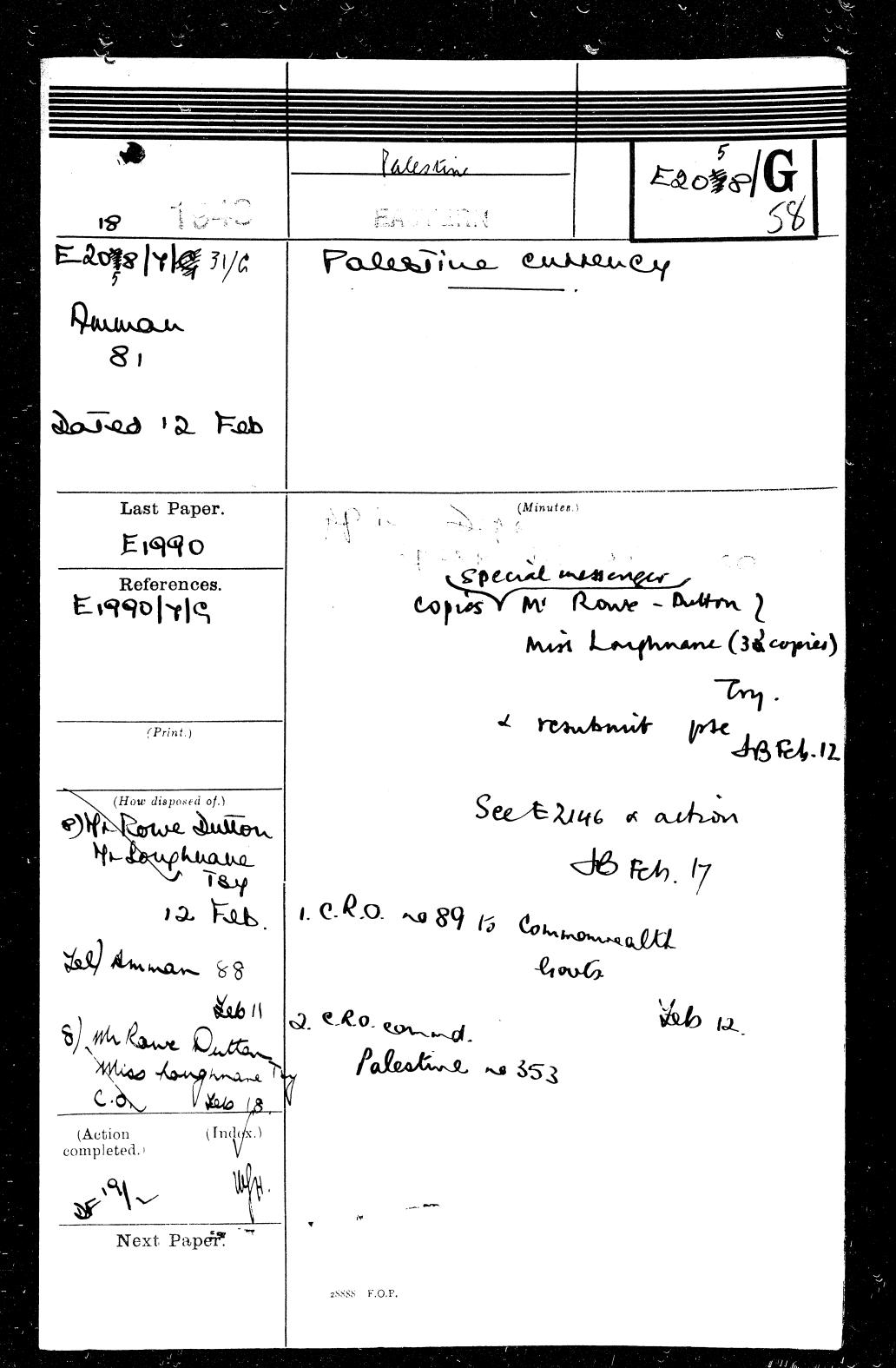
[Copy sent to Middle dast Secretariat].

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TO 371

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REPRODUCED PHOTOGRAPHICALLY WI OUT PERMISSION OF THE PUBLIC RECORD OFFICE, LONDON

PALESTINE

The following has been communicated to all Commonwealth Governments. They have not been told however that the decisions were taken at a Cabinet meeting.

Further consideration has been given to the relations of H.M. Government with the United Nations Commission on Palestine, and to the attitude which the United Kingdom delegation will adopt when the Palestine question is brought before the Security Council.

The U.N. Commission

Sir A. Cadogan has been instructed to inform the Commission

- (i) that H.M. Government would welcome an opportunity for discussions with them in London;
- (ii) that all reasonable facilities would be given for a nucleus of their staff to visit Palestine in advance of the 1st May;
- (iii) that the question whether the Commission should proceed to Palestine before 1st May should be left over for discussion in London.

Sir A. Cadogan was instructed to convey the third point to the Commission in confidence; it has not yet been decided whether it will be possible to make a concession on this question.

The Security Council

It is expected that proposals will be put before the Security Council for the establishment of an international force to impose the partition plan in Palestine. If such proposals are made the United Kingdom delegation will:

/ (i)

- (i) make it clear that it is for the Council to determine what support should be given to the U.N. Commission;
- (ii) re-affirm the intention of H.M. Government to withdraw their forces from Palestine by the 1st August, 1948, and their unwillingness to undertake either individually or collectively in association with others to impose the U.N. decision by force;
- (iii) abstain from voting (without thereby exercising a veto).

It is also possible that a demand may be made for sanctions against some or all of the Arab States on account of their alleged obstruction of the U.N. If this happens, the U.K. delegation are instructed to ensure that the Arab States concerned are given a fair hearing in accordance with Article 31 of the Charter.

The U.K. delegation will be led by the Colonial Secretary, who has already left for New York, and who will make it his first duty to explain and defend the policy of H.M. Government since the adoption of the General Assembly's Resolution on Palestine.

12th February, 1948.

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CYPHER/OTP

DIPLOMATIC (SECRET)

FROM AMMAN TO FOREIGN OFFICE

Sir A. Kirkbride. No. 81.

D: 10.07 a.m. 12th February, 1948.

12th February, 1948.

R: 10.40 a.m. 12th February, 1948.

Repeated to: Jerusalem (for Mr. Curran).

IMPORTANT

Addressed to the Foreign Office telegram No. 81 of February 12th repeated for information to Jerusalem for Mr. Curran.

TOP SECRET

My telegram No. 78 about Palestine currency.

I have discussed the question with Curran and I gather that as far as Transjordan is concerned the only basic immediate change is that in future sterling payments will have to be licensed as are payments in other foreign currencies.

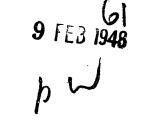
- The manner in which the change is announced here is in my view most important, and it seems to me that it is possible to avoid the bogey of "leaving the sterling area" which if used will produce an unreasoning adverse reaction. I suggest that the Transjordan Government should be informed that as Palestine is being excluded from the sterling area, it will be necessary in Transjordan to extend the system of licensing of payments in foreign currencies to cover payments in sterling also so as to prevent a leakage of capital from Palestine through this country. The statement could then go on to explain the position regarding imports from the sterling area, provision for hard currencies, and the ultimate redemption of Palestine [grp.undec. ? currency]. The problem of switching over to Iraq currency could be dealt with lastly.
- 3. If my proposal is feasible I should be grateful if any public statement in London referring to Transjordan could be worded in that sense. I should prefer that any announcement about Transjordan be made by the Government of this country.
- 4. Any legislation necessary can now be done by regulation under the defence law.

[Copy sent to Middle East Secretarist.]

Under-Secretary of State for Commonwealth

Relation

This is an unparaphrased version of a Secret cypher (typex) message and the text must first be paraphrased if it is essential to communicate it to persons outside British and United States Government Services.



Outward Telegram from Commonwealth Relations Office

F.A. and U.N. Dept F.3060/6 CYPHER (TYPEX)

TO: CANADA (GOVERNALIA "INEW ZEALAND "INEW Z

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(Sent 9.35.p.m. 7th February, 1948)

D No.89 SECRET

My telegram 30th January D No.64.

On departure of Transjordan Prime Minister and delegation short statement is to be issued to press to effect that cordial discussions have been held on all matters of common concern to the two countries.

2. In the confidential discussions, we have stated our willingness to revise annexe of 1946 Treaty and to discuss revision of Treaty itself though naturally not to prejudice of our existing rights in Transjordan. Initiative has, however, been left with Transjordan and delegation is returning for discussion with King Abdullah.

Copy to:

Foreign Office

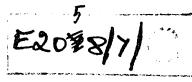
Sir Noel Charles
Mr. J.P.G. Finch (2)
Mr. L.F.L. Pyman
Mr. G.A. Crossley

PUBLIC RECORD OFFICE Reference:
1 2 3 4 5 6 FO 371 68605 REPRODUCTION OF THE PRODUCTION OF THE PRODU

INWARD TELEGRAM.

TO THE SECRETARY OF STATE FOR THE COLONIES.

Cypher (0, T.P.)



FROM PALESTINE (General Sir A. Cupninghem)

D. 12th February, 1948, R. 12th " 19.50 hrs.

MMEDIATE

No. 355 Top Secret.

Addressed S. of S. Repeated by savingrem to Ammen No. 83.

Please pass the following to the Treasury from Curran, following upon paragraph 10 of my telegram No. 335. Begins.

Trans-Jordan currency. It is proving very difficult to estimate the total enount of Trans-Jordan ourrancy which may be turned in if Trans-Jordan adopts the Trags dinar.

- 2. The present eirculation in Trans-Jordan was estimated in London to be between £(P) I and 2 millions, and Freke considered that the Iraqi Currency Board could provide up to that amount in dinara immediately without difficulty.
- 3. The Pelestine Currectly Officer informed ma, however, that local Palestine guess of Trans-Jordan circulation has always been six and a half per cent. of the total Palestino pound disculation. This works out on present figures at nearly E(P)3 millione.
- 4. I have now been told by Livingstone that Trans-Jordan satimate is that their present circulation may be as much as L(P) 5 millions. The explanation of this enormous probable increase in circulation is large scale development of emuggling of currency into Trans-Jordan for illicit entrepot trade. I have not been able to discuss this matter with Trans-Jordan banks, but hivingstone has of course done so in the peak. In any case it is impossible to check the estimate.
- 5. The possibility of large scale amuggling of currency from Palestine to Trans-Jordan as result of an ennouncement that Trans-Jordan was adopting the Iraqi dinar was, you will remamber, raised in London. I have discussed this possibility both here and in Trans-Jorden and all agree that announcement would lead to so increase in sauggling of currency - partly for greater imagined security, but more to obtain dinare with which to pay for goods smuggiod from Iraq. It asoca, however, impossible to give even a gress et the increase in frequestorden circulation which might remals from this cause.
- 5. The total Trans-Jordan circulation at the time of a change to dinaps might therefore be as high se S(P)S millions plus E(P)K offlion resolting from appointment of change. I do not know charler the Iregi Currency Beard outle

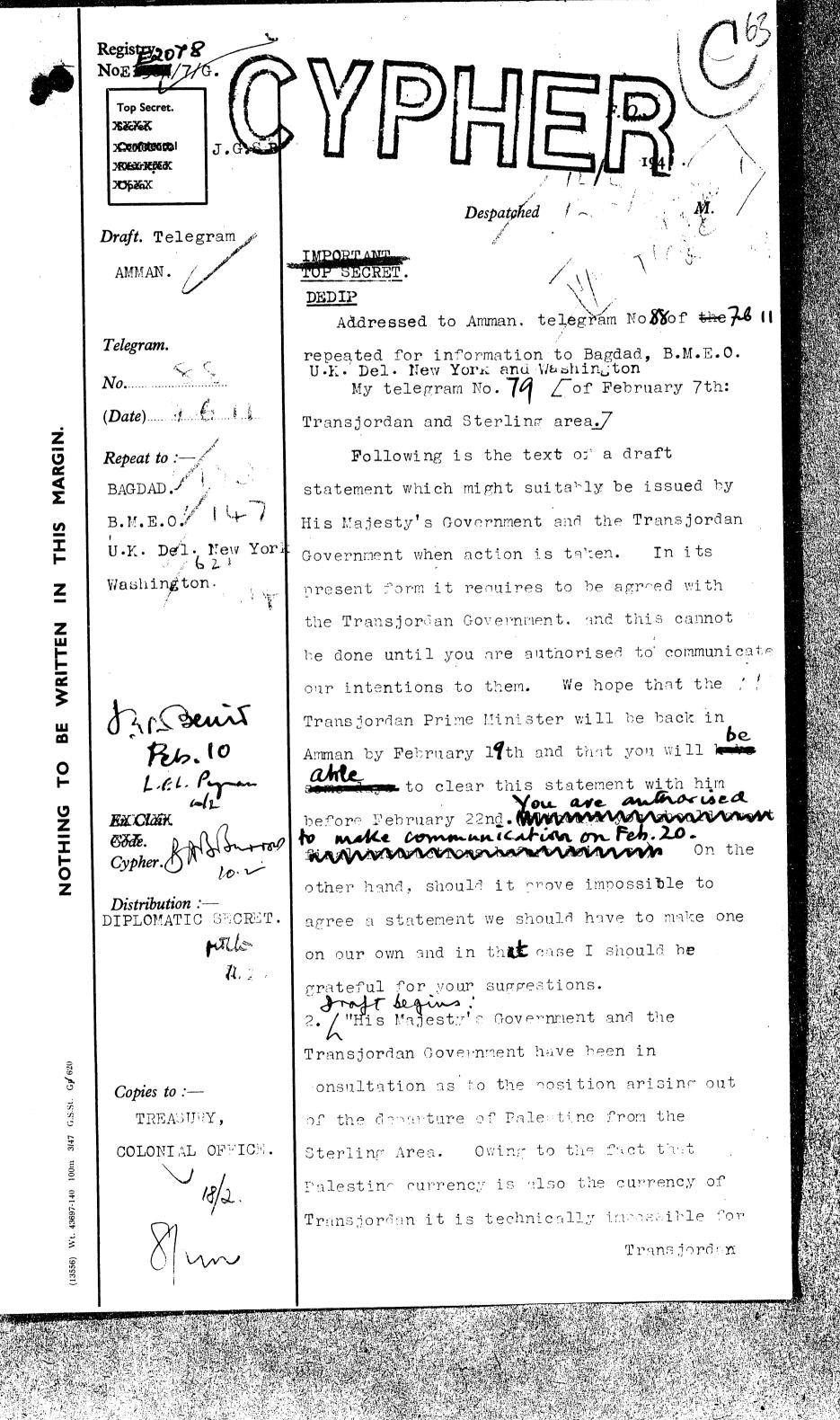
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undertake to provide dinara to an amount of this order at short notice. From my conversation with Freke I imagine that it may not be possible.

- that the Ottoman Bank in Amman has no permanent adequate storage facilities for even a 2 million dinar circulation. A sufficiently satisfactory semporary arrangement could probably be made either at the bank or in the strong rooms of the Arab Lagion. If, however, the circulation were 5 million plus X million dinars, the problem would be much more difficult. There is apparently fortunately no need for a sub(?chest) in any other town in Trans-Jordan.
- 6. In view of the above considerations, I would be grateful for as early a direction as possible as to whether the Trans-Jordan Government is still to be informed that a change to the Iraqi disar is from a machinery point of view immediately practical, or if not what alternative course should be suggested to them.
- 9. From the point of view of the Palestine Government, there are of course advantages if the change from Palestine pounds cannot be made immediately, but N.N. Minister has emphasized to me the great importance he attaches to being able to give an assurance to the Trans-Jordan Government that their exclusion from the sterling area is only a very temporary one.
- 10. I am returning to Trans-Jordan for one night on Seturday 14th and H.M. Minister wishes me to be there again when announcement of loaving the storling area is made to the Trans-Jordan Covernment. Ends.
 - 11. Please also pass to the Poreign Office.

Distributed to:-Kr. Frafford Smith Mr. Guich Scoretary of State Mr. Halldeson Sir T. Lloyd Mr. Highan in. Ress-Williams Mr. Galacorthy Gir S. Ceins Mr. Holmer Sir C. Jeffrice Er. Eastwood Mr. Rolding Sir C. Cleuson Ur. Variin Mr. Butters esog .Th Foreign office Nr. J.C.E. Bed th. Sir S. Hell-Petch. Mr. Trevelyen. Treseury Mr. Bows-Dutton. Er. N.E. Young. Mr. H.E. Brooks. Hise Loughness. Sank of England Mr. II. Stomson. Ar. Loombe.

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Transjordan to remain in the Sterling Area when Palestine leaves it, and arrangements are being made accordingly, in agreement between the two Governments. The Transfordan Government have however informed His Majesty's Government that they intend to make such currency and exchange control arrangements as will make it possible for Transjordan to return to the Sterling Area. His Majesty's Government have undertaken to give all possible halm and advice to this end, and in the meantime to continue to provide for the necessary foreign exchange requirements of Trunsjordan and to do everything in their power to minimise any inconvenience to the Transjordan Government and reople! Jeaffend, 3. It is unfortunately quite possible that leakage may occur before an official announcement is made owing to this further delay In that case, as foreshadowed in my telegram No.75, urgent action would have to be taken and we should not be able to consult Transgorean Govt. which advance You would then have to emphasise extreme secrecy for the return of the matter and danger to whole sterling area minister. as reason for this emergency action given above and in my telegram No.79.

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Cypher/OTP Top Secret E /7/G

DIPLOMATIC (SECRET)

FROM FOREIGH OFFICE TO ALMAN

No. 88

11th February, 1948

D. 12.05 p.m. 12th February, 1948

Repeated to Bagdad No. 173

B.M.B.O. No. 147

U.K. Del. New York No. 621

Washington No. 1714

IMPORTANT
TOP SECRET
DEDIP

Addressed to Amman telegram No. 88 of February 11th repeated for information to Bagdad, B.M.E.O., United Kingdom Delegation New York and Washington.

My telegram No. 79 [of February 7th: Transjordan and Sterling area].

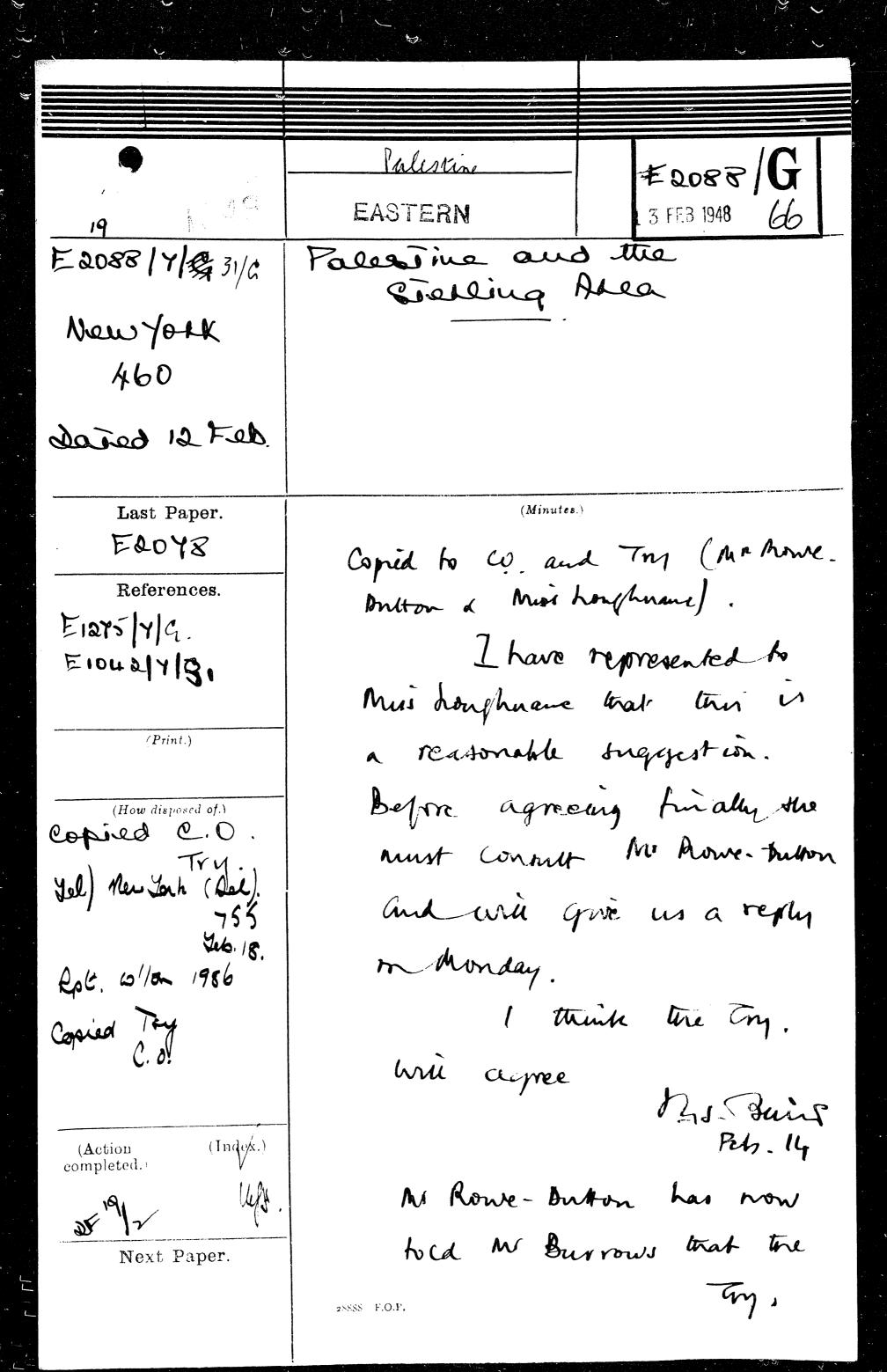
Following is the text of a draft statement which might suitably be issued by His Majesty's Government and the Transjordan Government when action is taken. In its present form it requires to be agreed with the Transjordan Government, and this cannot be done until you are authorised to communicate our intentions to them. We hope that the Transjordan Prime Minister will be back in Amman by February 19th and that you will be able to clear this statement with him before February 22nd. You are authorised to make communication on February 20th. On the other hand, should it prove impossible to agree a statement we should have to make one on our own and in that case I should be grateful for your suggestions.

2. Draft begins: "His Majesty's Government and the Transjordan Government have been in consultation as to the position arising out of the departure of Palestine from the Sterling Area. Owing to the fact that Palestine currency is also the currency of Transjordan it is technically impossible for Transjordan to remain in the Sterling Area when Palestine leaves it, and arrangements are being made accordingly, in agreement between the two Governments. The Transjordan Government have however informed His Majesty's Government that they intend to make such currency and exchange control arrangements as will make it possible for Transjordan to return to the Sterling Area. His Majesty's Government have undertaken to give all possible help and advice to this end, and in the meantime to continue to provide for the necessary foreign exchange requirements of Transjordan and to do everything in their power to minimise any inconvenience to the Transjordan Government and people." Draft ends.

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/3. It

It is unfortunately quite possible that owing to this further delay leakage may occur before an official announcement is made. In that case, as foreshadowed in my telegram No. 79, urgent action would have to be taken and we should not be able to give Transjordan Government much advance notice or wait for the return of the Prime Minister. You would then have to emphasise extreme secrecy of the matter and danger to whole sterling area as reason for this emergancy action and convey the assurances given above and in my telegram No. 79.



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D HEBS 1) Miss Longhame Try 16 Mm Berth 18. Feb.

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Cypher/CTP

DIPLOMATIC (SECRET)

FROM NEW YORK TO FOREIGN OFFICE

(From United Kingdom Delegation to United Nations)

No. 460

D. 8.00 p.m. 12th February, 1948.

12th February, 1948. R. 1.20 a.m. 13th February, 1948.

Repeated to: Jerusalem Washington Saving.

TMMEDIATE
TOP SECRET

Addressed to Foreign Office telegram No. 460 of 12th February, repeated for information to Jerusalem and Saving to Washington.

Your telegram to Washington No. 1712.

Palestine and the Sterling Area.

me observe from paragraph 2 that statement will be released to press at 1.10 a.m. (presumably London time) on Sunday 22nd February. This will be 8.0 p.m. New York time on Saturday 21st February, and you have suggested that I should inform the United Nations Commission of this decision at that time.

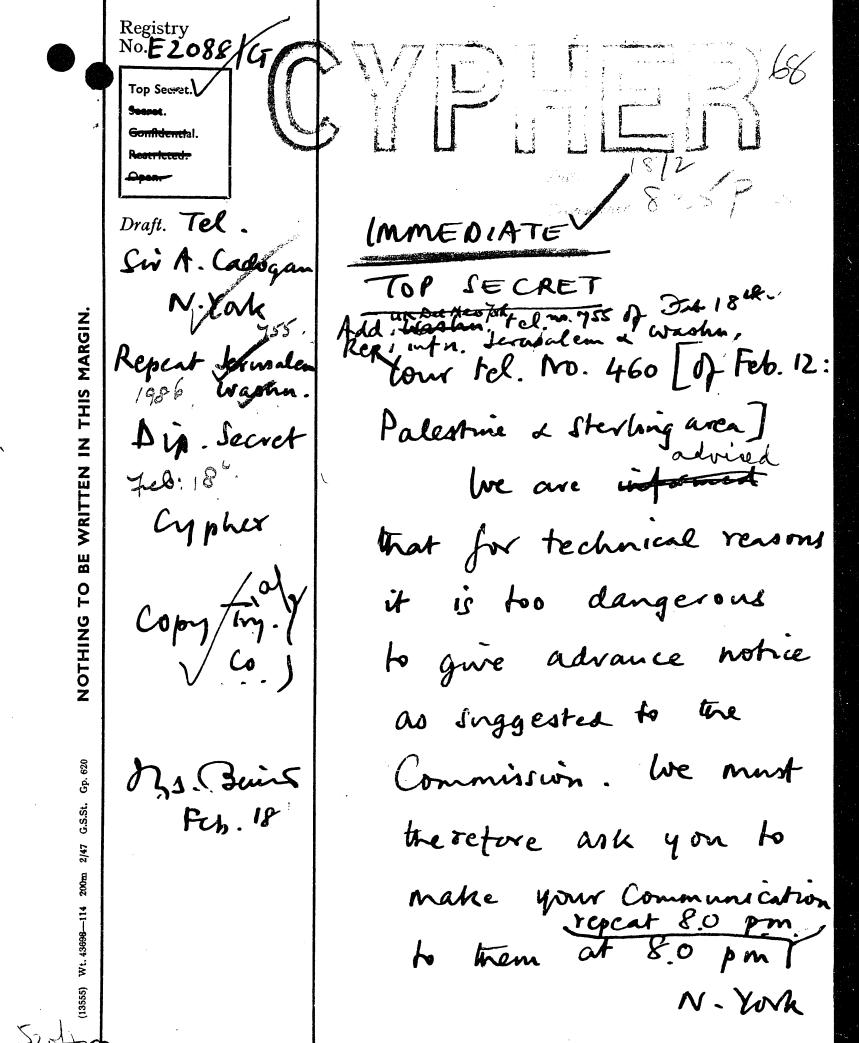
- 2. daving regard to the considerations set out in paragraph 3 of my telegram No.174 and in view of the fact that this information is to be conveyed to the United States Government on 20th February, I feel that it would be most desirable to convey this information to the Commission as soon as possible after it has been conveyed to the United States Government.
- February the Banks in London will be closed and I would therefore propose if you see no objection to inform the Chairman of the Commission of this decision by a letter to be sent so as to reach him about 10 a.m. (New York time) on Saturday 21st February.

Foreign Office please pass Immediate to Colonial Office and Immediate to Jerusalem as my telegram No.91.

[Copies sent to Colonial Office for information and for repetition to Jerusalem and to Middle East Secretariat]

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N. York time on Feb. 218t BABB 18.2



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Cypher/OTP Top Secret E 2088/G

DIPLOMATIC (SECRET)

FROM FOREIGN OFFICE TO NEW YORK

(To United Kingdom Delegation to United Nations)

No. 755

D. 8.35 pm. 18th February, 1948.

18th February, 1948.
Repeated to Jerusalem
Washington No. 1986

IMMEDIATE

TOP SECRET

Addressed United Kingdom Delegation New York telegram No. 755 of 18th February, repeated for information to Jerusalem and Washington.

Your telegram No. 460 [of February 12th: Palestine and sterling area].

We are advised that for technical reasons it is too dangerous to give advance notice as suggested to the Commission. We must therefore ask you to make your communication to them at 8.0pm (repeat 8.0pm) New York time on February 21st.

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TREASURY CHAMBERS, GREAT GEORGE STREET, LONDON, S.W.1.

18th February, 1948.

Dear Mr. Beith,

This is to confirm Mr. Mount's telephone
conversation with Mr. Burrows in which he suid that
we are not hap y at the suggestion, in New York
telegram no. 460, but Sir A. Dadogan should tell
the U.M. Commission the Falestine news at 10 a.m. on
Saturday Sist February. We are only telling
high officials of the U.S. Government under pledge
of secrecy, and we cannot feel certain that a similar
pledge could be obtained from or observed by the U.M.
Commission - indeed Sir A. Dadogan does not apparently
expect it. We would rather abide by the original
plan of communication simultaneously with the public
an ouncement.

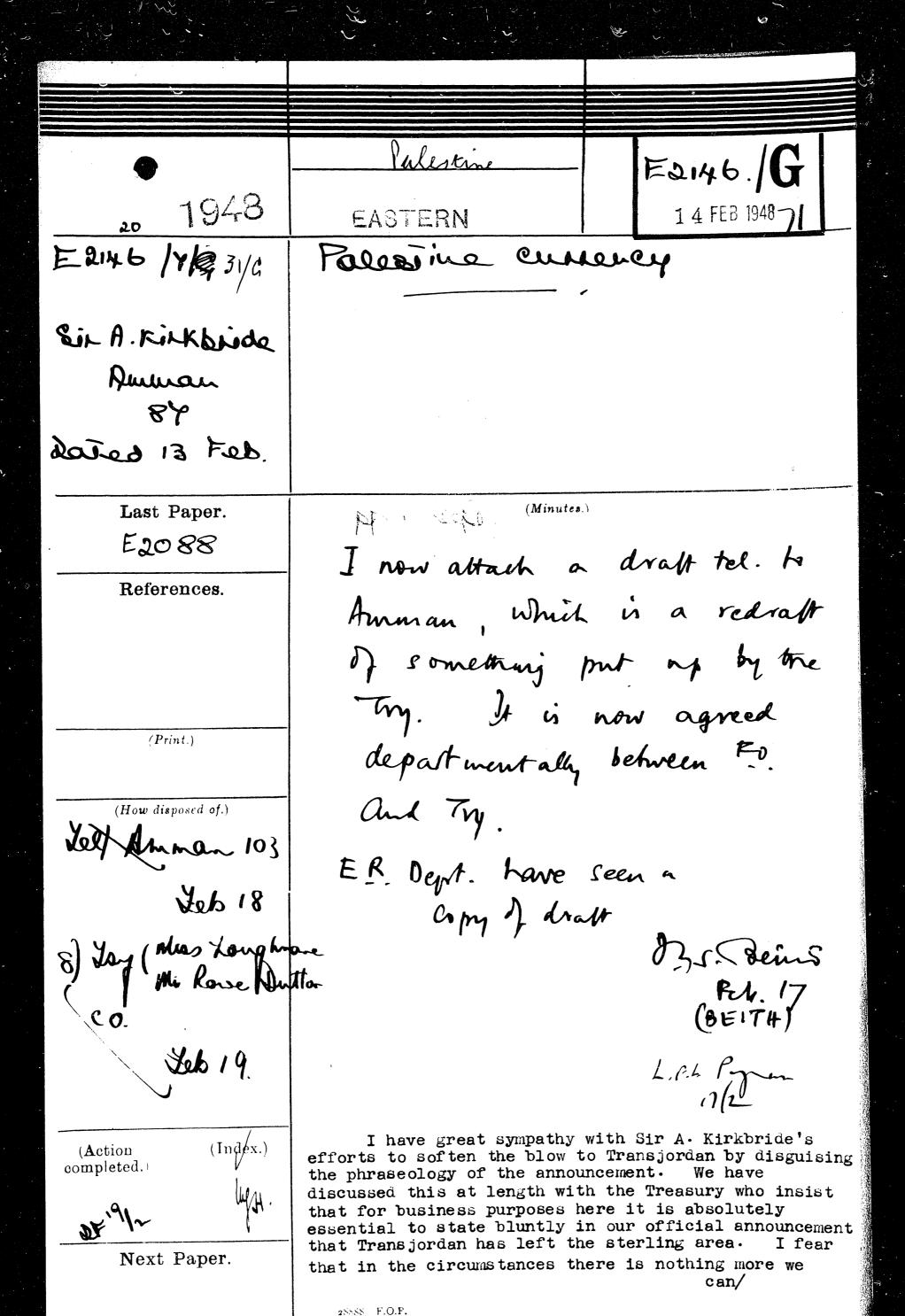
an ouncement. Copied by the Boss.

Yours sincerely,

May Loughuare

J.G.S. Beith, Esq., Foreign Office

PS. Redeal of her Notice enclarer.



can do about the announcement to be made here though we can allow the Transjordan Government to make a slightly different announcement themselves if they wish to do so. The Treasury agree with the attached draft telegram.

17th February, 1948.

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Sen ty Fin D. Farjeni. Tel . tent.

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Cypher/OTP

DIPLOMATIC (SECRET)

FROM AMMAN TO FOREIGN OFFICE

Sir A. Kirkbride

D. 3.10 p.m. 13th February, 1948 R. 4.35 p.m. 13th February, 1948

Repeated to Jerusalem

13th February, 1948

IMPORTANT

DEDIP

Addressed to Foreign Office telegram No. 87 of 13th February repeated for information to Jerusalem.

TOP SECRET

Your telegram No. 88 about Palestinian currency.

See my telegram No. 81 which must have crossed yours. Would it be possible to amend draft statement so as to read "technically impossible for sterling payments by Transjordan to remain uncontrolled after this change in status of Palestine and arrangements are being made accordingly in agreement between the two Governments. Transjordan Government have however informed His Majesty's Government that they intend to make such currency and exchange control arrangements as will make it possible for resumption by them of free payments to countries in sterling area".

[Copy sent to Middle East Secretariat]

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CYPHER/OTP

DIPLOMATIC (SECRET)

FROM AMMAN TO FOREIGN OFFICE

Sir A. Kirkbride.

D: 10.07 a.m. 12th February, 1948.

No. 81.

12th February, 1948.

R: 10.40 a.m. 12th February, 1948.

Repeated to: Jerusalem (for Mr. Curran).

IMPORTANT

Addressed to the Foreign Office telegram No. 81 of February 12th repeated for information to Jerusalem for Mr. Curran.

TOP SECRET

My telegram No. 78 about Palestine currency.

I have discussed the question with Curran and I gather that as far as Transjordan is concerned the only basic immediate change is that in future sterling payments will have to be licensed as are payments in other foreign currencies.

- 2. The manner in which the change is announced here is in my view most important, and it seems to me that it is possible to avoid the bogey of "leaving the sterling area" which if used will produce an unreasoning adverse reaction. I suggest that the Transjordan Government should be informed that as Palestine is being excluded from the sterling area, it will be necessary in Transjordan to extend the system of licensing of payments in foreign currencies to cover payments in sterling also so as to prevent a leakage of capital from Palestine through this country. The statement could then go on to explain the position regarding imports from the sterling area, provision for hard currencies, and the ultimate redemption of Palestine [grp.undec.? currency]. The problem of switching over to Iraq currency could be dealt with lastly.
- 3. If my proposal is feasible I should be grateful if any public statement in London referring to Transjordan could be worded in that sense. I should prefer that any announcement about Transjordan be made by the Government of this country.
- 4. Any logislation necessary can now be done by regulation under the defence law.

[Copy sent to Middle East Secretariat.]

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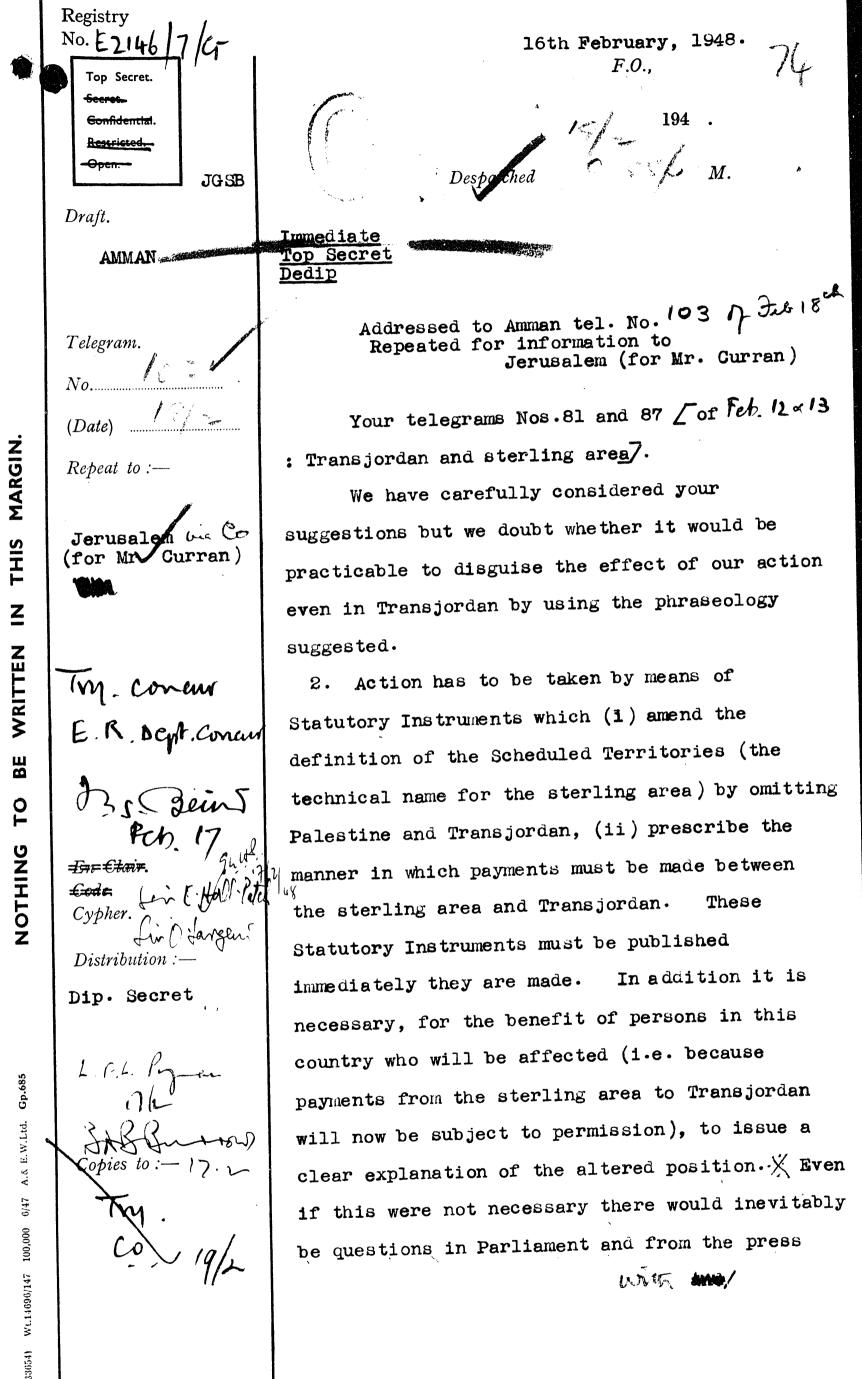
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with and/

outside Transjordan in which the phrase "leave the sterling area" would figure largely. Some of these statements could hardly fail to filter through to Transjordan.

3. In these circumstances if you still think
it would be desirable for the Transjordan Govt.
on their side to stick to a periphrasis for
internal consumption, we could not object but
would like advance notice of the exact wording
to be used. But we should like you if possible to secure Transjordan concurrence in a statement by us on the lines indicated in our tel.

4. You may care to have the following basis for our action recapitulation of what we are prepared to do for Transjordan.

(a) The action is being taken solely because of the fact that Palestine and Transjordan have a common currency. So long as this is so, we are convinced that, if Transjordan were to remain in the sterling area when Palestine left it, it would be impossible, with the best will in the world, to prevent leakages of funds from the sterling area through Transjordan. In the interests of the whole sterling area at this critical time we cannot risk a drain of this kind.

- (b) So soon as Transjordan has made other currency arrangements, with regard to which we will give her every possible assistance, we shall be ready to readmit her to the area.
- (c) We are not (repeat not) blocking Transjordan's sterling holdings, other than any
 arising from redemptions of Palestine currency
 after she leaves the sterling area, and we shall
 be willing to make releases from those to meet
 Transjordan's own needs.

No.88
We shall in any
case have to
make an announcement H
on there lines

HING TO BE WRITTEN IN THIS

(d)/

(d) We shall continue to provide for her reasonable foreign exchange requirements as though she remained a member of the area.

(e) Our suggestion that Transjordan should institute control over sterling transfers is made in her own interest.

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Cypher/OTP E2148/7/G Top Secret.

DIPLOMATIC (SECRET)

FROM FURLIGN OFFICE TO AMMAN

No.103 18th February, 1948

D. 9.55 p.m. 16th February, 1948

Repeated to Jerusalem

IMMEDIATE
TOP SECRET
DEDIP

Addressed to Amman telegram No.103 of February 18th, repeated for information to Jerusalem (for Mr. Curran).

Your telegrams Nos. 81 and 87 [of February 12th and 13th: Transjordan and sterling area.]

We have carefully considered your suggestions but we doubt whether it would be practicable to disguise the effect of our action even in Transjordan by using the phraseology suggested.

- 2. Action has to be taken by means of Statutory Instruments which
- (i) amend the definition of the Scheduled Territories (the technical name for the sterling area) by omitting Palestine and Transjordan,
- (ii) prescribe the manner in which payments must be made between the sterling area and Transjordan.

These Statutory Instruments must be published immediately they are made. In addition it is necessary, for the benefit of persons in this country who will be affected (i.e. because payments from the sterling area to Transjordan will now be subject to permission), to issue a clear explanation of the altered position. Even if this were not necessary there would inevitably be questions in Parliament and from the press with resulting publicity outside Transjordan in which the phrase "leave the sterling area" would figure largely. Some of these statements could hardly fail to filter through to Transjordan.

3. In these circumstances if you still think it would be desirable for the Transjordan Government on their side to stick to a periphrasis for internal consumption, we could not object but would like advance notice of the exact wording.

PUBLIC RECORD OFFICE

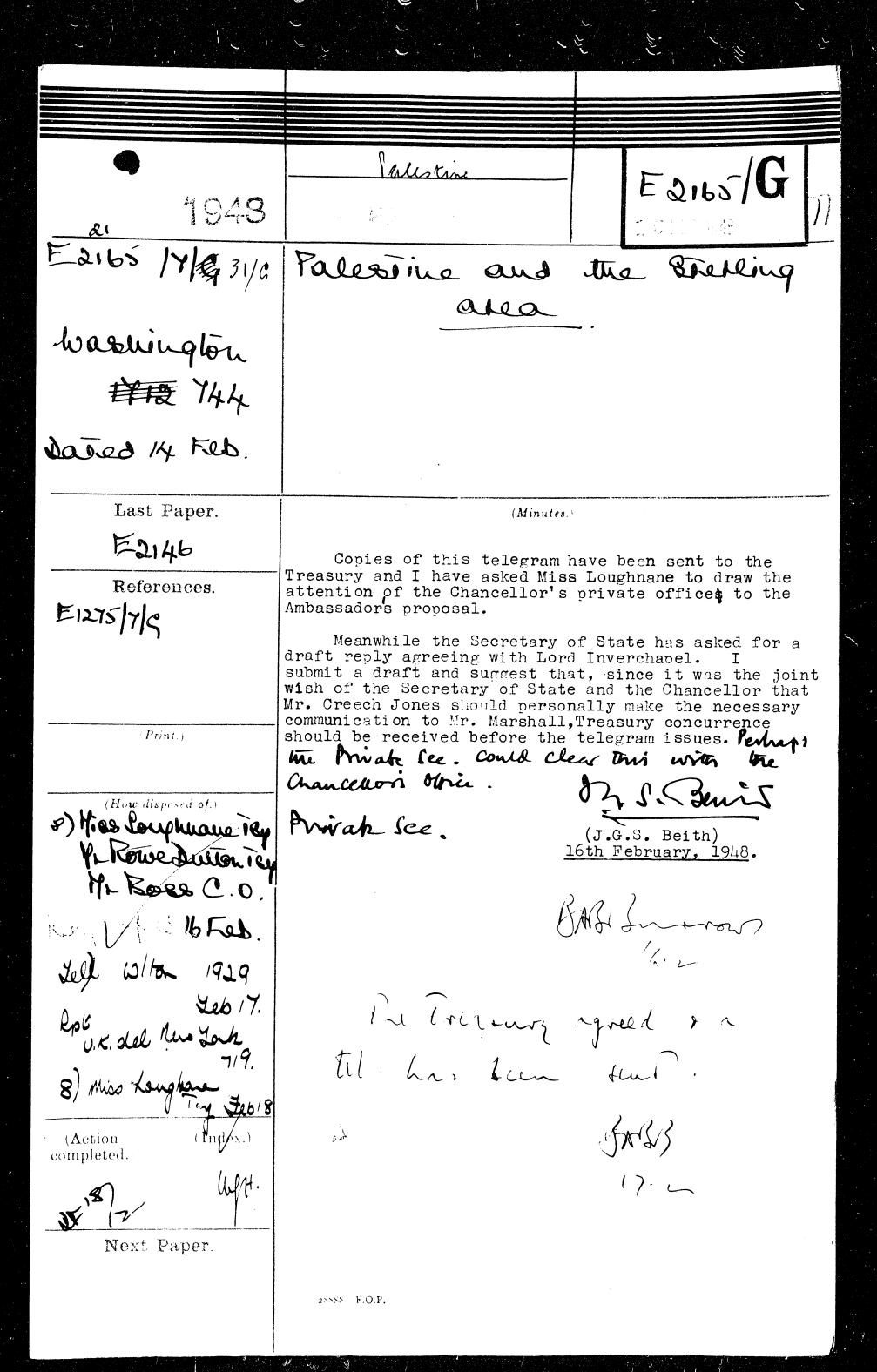
1 2 3 4 5 6 FOR BOTH PHOTOGRAPH

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to be used. But we should like you if possible to secure Transjordan concurrence in a statement by us on the lines indicated in our telegram No.88. We shall in any case have to make an announcement on these lines.

- 4. You may care to have the following recapitulation of basis for our action
- (a) The action is being taken solely because of the fact that Palestine and Transjordan have a common currency. So long as this is so, we are convinced that, if Transjordan were to remain in the sterling area when Palestine left it, it would be impossible, with the best will in the world, to prevent leakages of funds from the sterling area through Transjordan. In the interests of the whole sterling area at this critical time we cannot risk a drain of this kind.
- (b) So soon as Transjordan has made other currency arrangements, with regard to which we will give her every possible assistance, we shall be ready to readmit her to the area.
- (c) We are not (repeat not) blocking Transjordan's sterling holdings, other than any arising from redemptions of Palestine currency after she leaves the sterling area, and we shall be willing to make releases from those to meet Transjordan's own needs.
- (d) We shall continue to provide for her reasonable foreign exchange requirements as though she remained a member of the area.
- (e) Our suggestion that Transjordan should institute control over sterling transfers is made in her own interest.



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IMMEDIATE.

TOP SECRET.

Eastern Dept.

The Secretary of State would like a reply drafted to Lord Inverchapel's telegram No. 744, agreeing that he and not Mr. Creech-Jones should inform the U.S. Administration about the monetary changes in Palestine.

16th February, 1948.

PUBLIC RECORD OFFICE

68605

Nothing to be Written in this Margin.

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Cypher/OTP

DIPLOMATIC (SECRET)

FROM WASHINGTON TO FOREIGN OFFICE

Lord Inverchapel. No.744 14th February, 1948

D. 5.13 p.m. 14th February, 1948 R.10.20 p.m. 14th February, 1948

Repeated to United Kingdom Delegation New York.

IMAEDIATE TOP SECRET

Addressed to Foreign Office telegram No.744 of 14th February, repeated for information to United Kingdom Delegation New York.

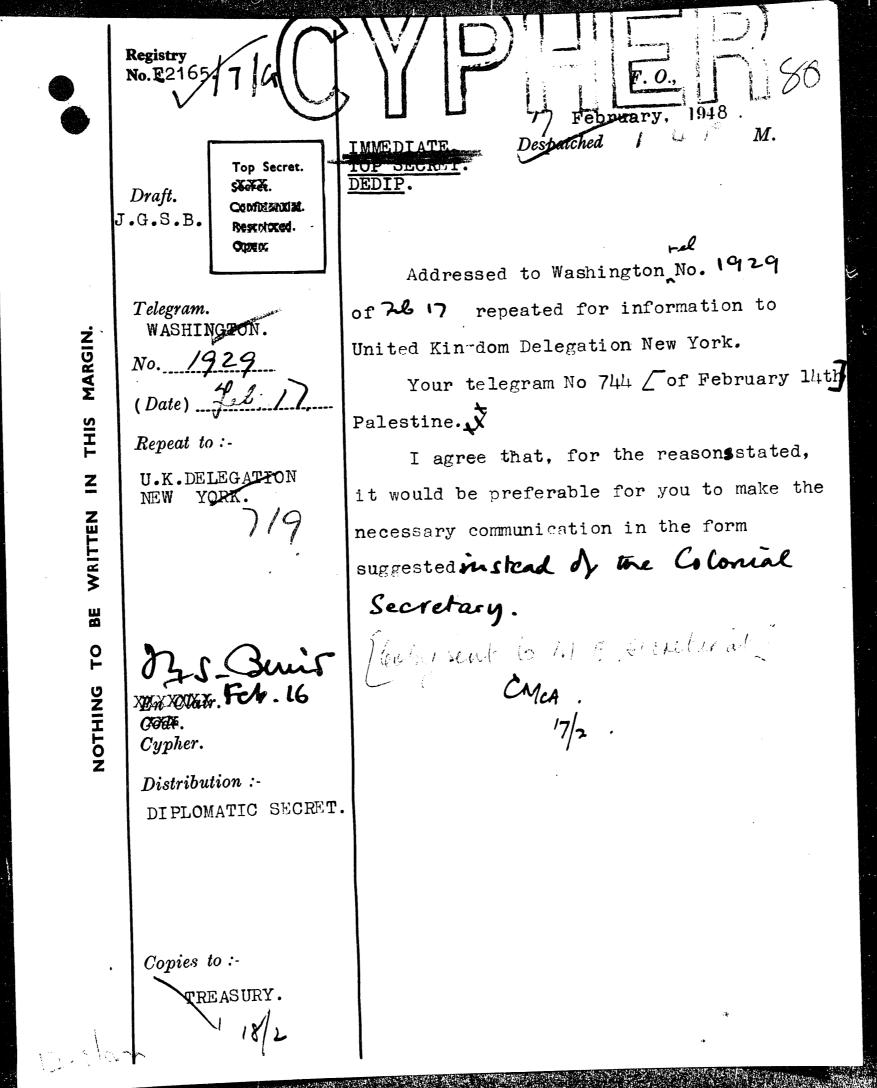
Dedip.

Your telegram No.1712 paragraph 3; Palestine and the Sterling Area.

As you know the problem of Palestine is greatly exercising the minds of the Administration. We have received hints from official sources to the effect that the Administration would much deprecate the visit to Washington of a British Minister before the date on which the Mandate is to terminate. Moreover, whatever the official purpose of Mr. Creech-Jones visit, it would inevitably be open to misrepresentation and stir up fresh Zionist clamour which would increase to their embarrassment, the violence of the pressure to which the Administration are being subjected.

2. Subject to Mr. Creech-Jones' views, I, therefore, suggest that it might be preferable if I were in any case to make the necessary communication to Mr. Marshall. This might have the further advantage that if your decision were conveyed in a routine communication from myself, there might be rather less possibility of an urgent comeback, which I am sure you will wish to avoid. I should be glad to know as soon as possible whether you and Mr. Creech-Jones, to whom this telegram is being repeated, approve this suggested change in procedure.

k k k



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Cypher/OTP E 2165/7/G TOP SECRET

DIPLOMATIC (SECRET)

FROM FOREIGN OFFICE TO WASHINGTON

No. 1929 17th February, 1948

D. 1.45 p.m. 17th February, 1948

Repeated to New York (U.K. Delegation) No. 719

IMMEDIATE

TOP SECRET

DEDIP

Addressed to Washington telegram No. 1929 of 17th February repeated for information to United Kingdom Delegation New York.

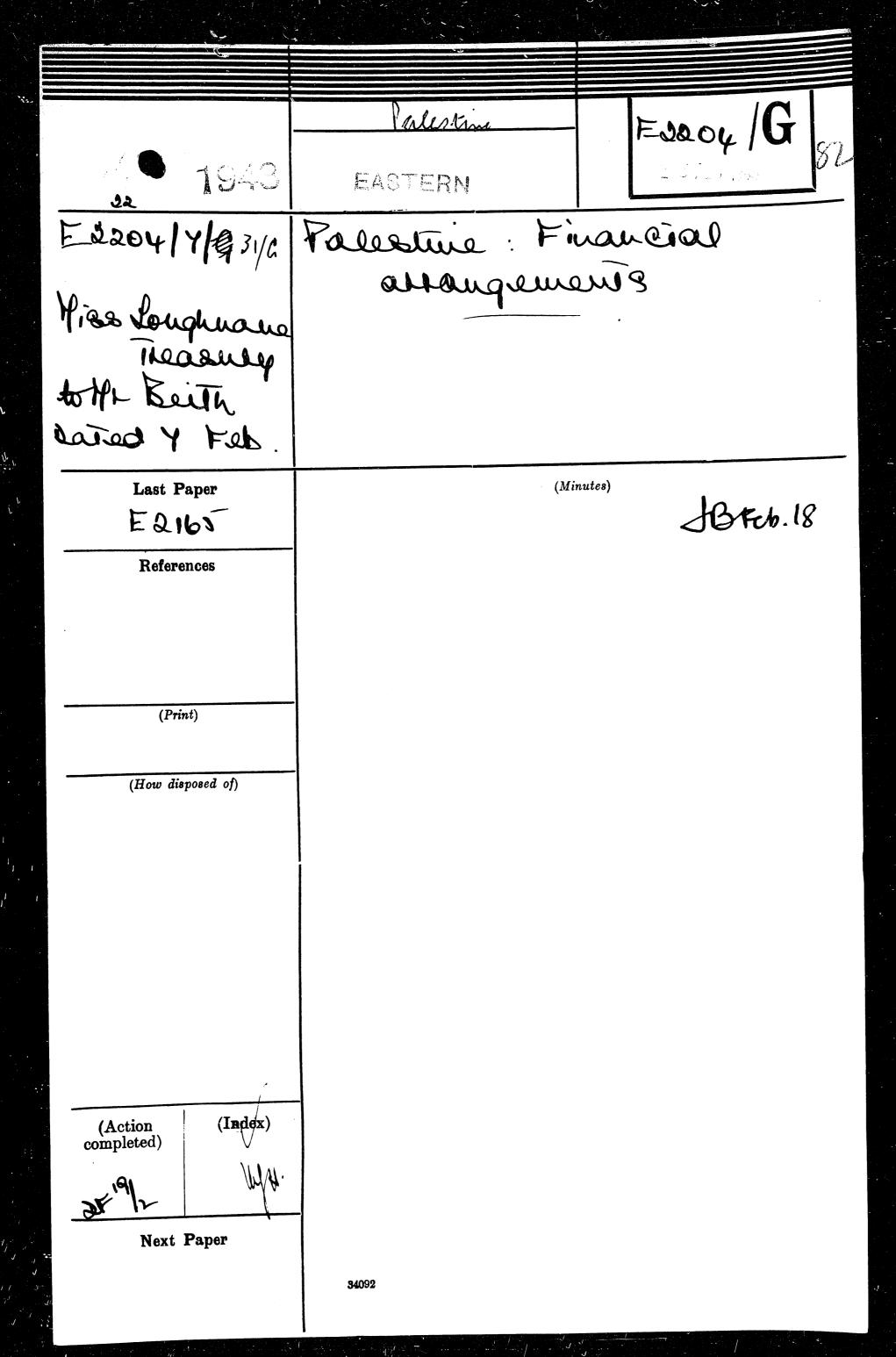
Your telegram No. 744 [of 14th February] Palestine.

I agree that, for the reasons stated, it would be preferable for you to make the necessary communication in the form suggested instead of the Colonial Secretary.

[Copy sent to Middle East Secretariat]

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TREASURY CHAMBERS, · 6 FE3 1948 Tel. No.: Whitehall 1234 LONDON, S.W.I. Palestine amento Dear He Beith, I enclose 2 dept telegrams 5 washifa (Embassy & UKT)) the cent of simultaneously if you agree. You will see tte one bette Embassy is your original well survey amendments by us. your enterlainment

a copy of our "Operation Orders" prepared for internal use here, begetter with a clean copy of the Palistine press statement. All have slightly re-dufted 16-7. J. statement are discurred executary on the Exleptanc. I will send this aeros later, probably or Manday.

Tourns sincustry,

Many houghware.

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The Brief

PALESTINE AND TRANSJORDAN. OFFIRM OF OFFICE Action In 3004-619 Action needed Exchange Control Priday 18th Set. 14th (Payments order(Fel) Signature Effective) of (20) At proof Monday 16th published Definition of Scheduled Territories Order Mr.Mitchell has in hand. Clear with B/Sng.notices to Tuesday loth H.H.T. Banks B/Eng. letters to Currency Board Monday 16th B/Bng. Issos Malloly P/N lesed by COI Palestine 8et.14th 6.80 p.m. of (EE) P/H drefted Sunday 15th with Rolesse 1.4.6. P.R.Q. " morning Publication papers and B.B.C. Artra for Consult H.C. local use co have in hand Draft Trons jordan announcement for of (ur) Fress(ne above) of (ME) leave as above Sat. 5.50 p.a. etc. ete. ₹.8.0. L sero-hour setion peeded INFORMATION sat.14th **P.O.** Release tele. Cadogan Somest

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PALESTING AND TRAVELOSDAN

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OFBEATION CRIMERS (cont.)

Action needed Zere-beuz

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Telegraph Minister for Livingetone

OF (ME) Telegram drafted.

Tolograph Amman

P.O.

H.Gurran to visit As soon as possible after arriving in Palestine

H.O.

Publicity

see above.

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PALESTIES Press Statement.

The approaching termination of the Palestine Mandate has made it necessary for His Majesty's Government to consider most carefully what financial arrangements should be made in the interests of the successor Governments in Palestins and of the sterling eros in order to preserve the resources of Palestine for the use of the new States and to safeguard the balance of payments position of the United Mingdom. His Majesty's Government are resolved to do all in their power to prevent damage to the financial and economic structure of Palestine during the period of their withdraws).

During the period of the Mandate, Falestine has been a member of the sterling area. She is also the holder of sterling belances, the present total of which is about \$100,000,000, a large amount in proportion to the size of the country. These balances have been drawn on rapidly in recent months. This drain obviously cannot be allowed to go on. It would mean that the resources of Falestine which will be needed for the development of the country would be in danger of being unduly depleted. The drawing down of the balances in this way would also aggrevate the balance of payments problem of the Balance and the rest of the sterling area.

As in the case of other countries holding large balances - e.g. India, Egypt and Ireq - the only way in which the drain can be stopped is by blocking the greater part of the balances. His Hajosty's Government have decided therefore, for the reasons given above, that the balances of Palestine must be similarly blocked and have taken steps accordingly. In order immediately to provide the resources necessary to carry on Palestine's normal international trade, His Hajesty's Government will make available during the interim period and subsequently, the resources which they are satisfied are necessary.

For immediate requirements 67 millions are being released in order to provide 64 millions as working balances for the banks in /fulestime

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Palestine and 46 millions to be used together with current accreate of storling, which will be at Palestine's disposal for ourrest expenditure until the middle of May.

The amounts of these releases have been arrived at after cureful consideration and consultation with the present edulatetration and lite Majorty's Government are estimited that they should prove amply sufficient to emable Falcatine to meet all her needs during that period. Future policy for release from the storling balances will be the subject of compultation between His Majesty's Coverement's representative at the United Nations, Sir Alexander Cadogen, and the Commission for Falestine which is now being established by the United Nations, and the views of the Commission will be given full consideration in the formation of policy in regard to future releases. As soon as the Joint Recognic Board is established, His Hajesty's Government will also initiate discussions with that Board for the same purpose.

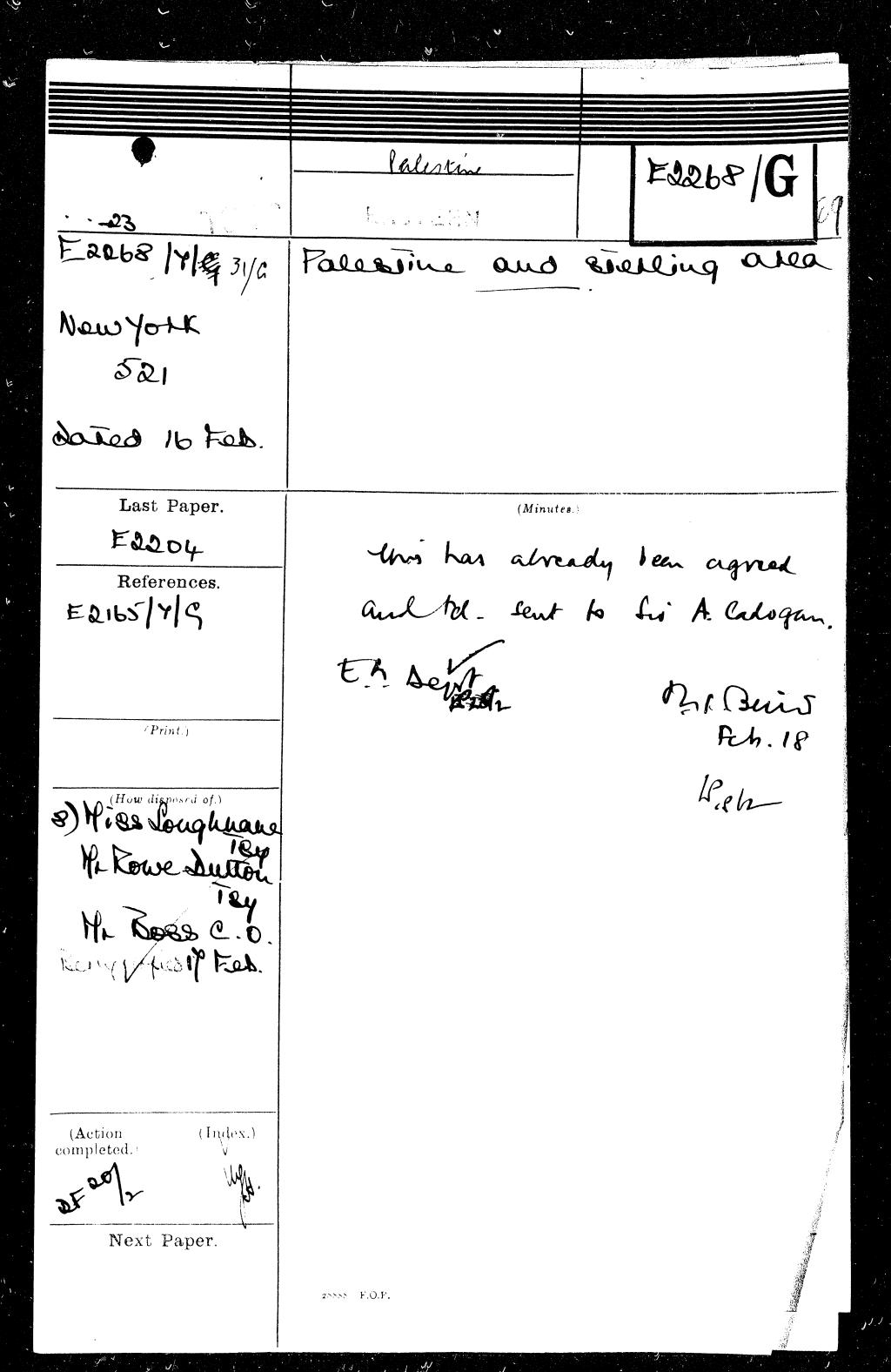
In the special circumstances of Falestine, where His Hajesty's Covernment must assume that, for a period at least, a therough and comprehensive exchange control will be lacking, the blocking of the belences would not entirely safeguard the resources of Felestine, so long as the country remained in the sterling If His Hajesty's Covernment allowed a situation to continue in which such leakages could occur, they would not be carrying out their responsibilities to the storling eres or to Palestine. They therefore consider it desirable in the interests of both that Palestine should not remain a member of the sterling area and she has coased to be a member therefore from February 18th the date on which the balances have been blocked. Should the Successor Governments desire it, His Majesty's Government will be ready to discuss with them the question of their resonance to the sterling area.

As regards currency arrangements, the existing Currency Board, /oubject

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subject to any necessary changes in procedure, will continue to function in the interests of the holders of envenoy and of Palentine generally pending an orderly transition to whatever arrangements may in due course be made for the future management of the currency. His Majesty's Government hope it will be possible to arrange for the United Mations Commission, if they so desire, to appoint a representative to not as an observer at the deliberations of the Currency Board.

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FROM NEW YORK TO FOREIGN OFFICE

(From United Kingdom Delegation to the United Nations)

No. 521

D. 5.40 p.m. 16th February, 1948 R.11.00 p.m. 16th February, 1948

16th February, 1948.

Repeated to Washington

IMPORTANT TOP SECRET DEDIP

Addressed Foreign Office telegram No. 521 February 16th repeated for information to Washington.

Following personal from Secretary of State for the Colonies.

Your telegram No. 620 and Washington telegram to you No. 744.

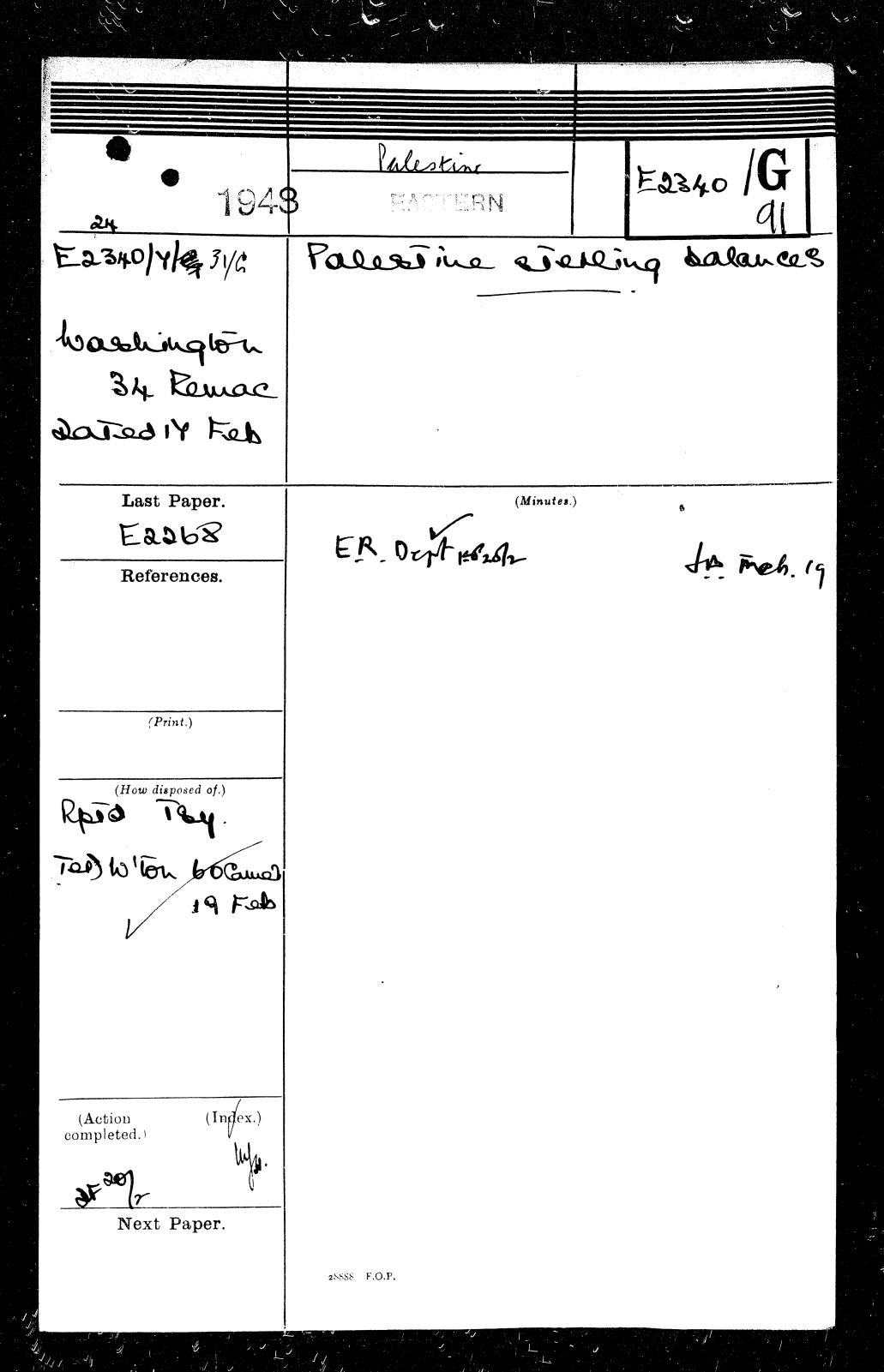
Palestine and the sterling area.

Since my arrival, I have consulted with Cadogan and experts here regarding background of Palestine question at United Nations and situation generally in American press and public opinion.

- 2. I find that their view is unanimous that it would be wiser in present circumstances that I should not (repeat not) seek interview with Marshall. With this view I agree, for I feel that press and Jewish propaganda would exploit the visit and that there would be widespread speculation as to its purpose and implications.
- 3. There is considerable discussion critical of British policy in Palestine and towards the United Nations in the American press just now and the Jewish campaign is continuing to discredit all we do. I fear that in these circumstances interview with Marshall would be embarrassing to us both. The United States Government are obviously very uncertain and anxious about their own line on Palestine, and it would probably be inevitable that I should become involved in discussion of wider issues which I presume you would not wish at this stage.
- 4. For these reasons I strongly support Ambassador's suggestion that he should make the necessary communication to Marshall.

[Copy sent to Middle East Secretariat.]

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Cypher/OTP.

CAMER REMAC DISTRIBUTION.

FROM WASHINGTON TO FOREIGN OFFICE.

Lord Inverchapel. No.34. Remac. D. 6.36 p.m. 17th February 1948.

R. 12.20 a.m. 18th February 1948.

IMMEDIATE.

TOP SECRET.

From Waight.

The last aggregate of Palestines balances we have is pounds sterling 98 millions for November 1947.

2. It would be useful to have the latest figure obtainable and an estimate of the current weekly rate of withdrawal as counters to certain arguments which may be put forward.

[Copies sent to Chancellor of Exchequer]

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Treas. Ref.	For Cypher Room Use only Despatch
Dear Mr. Beith,	
If you agree please despatch	IMMEDIATE.
Mary loughware	TOP SECRET
Draft telegram to	For Waight.
MASHINGTON. No. 60 C.MER Date 19/2/48	Your telegram no. 34 TREMAC of 17th February: Palestine Total of sterling assets at end of December was £99.4 million. Provisional
* CYPHER X ONE XEXX KIXXIX	figure for end January is 100.4 millions. The increase is seasonal due to receipts from citrus fruit exports. We can not
Repeat to	(repeat not) estimate gross outgoings or
Repeat to	2. These figures are of course strictly confidential and must not (repeat not) be divulged to Americans.
No C.MER	3. Your telegram no 36. Whe approve this programme.
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CAMER/REMAC DISTRIBUTION.

FROM FORLIGN OFFICE TO WASHINGTON.

No. 60 Camer.

19th February, 1948.

D. 4.7 p.m. 19th February, 1948.

IMMEDIATE. TOP SECRET.

For Waight.

Your telegram No. 34 [Remac of 17th February: Palestine].

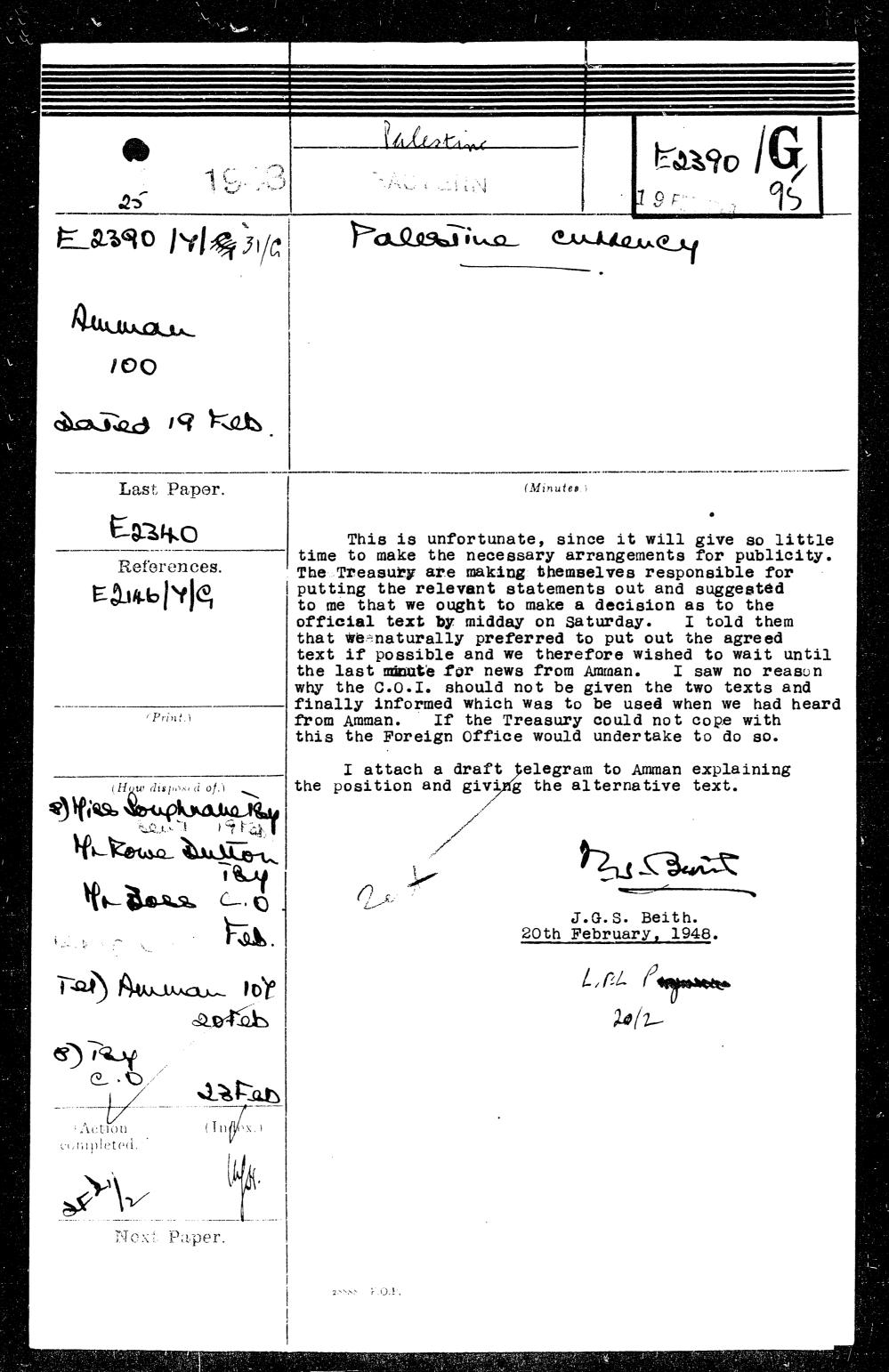
Total of sterling assets at end of December was £99.4 million. Provisional figure for end January is 100.4 millions. The increase is seasonal due to receipts from citrus fruit exports. We can not (repeat not) estimate gross outgoings or weekly movements.

2. These figures are of course strictly confidential and must not (repeat not) be divulged to Americans.

5. Your telegram No. 36. We approve this programme.

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DIPLOMATIC SECRET.

FROM AMMAN TO FOREIGN OFFICE.

Sir A. Kirkbride. D. 11.05 a.m. 19th February.

No. 100.

1948.

R. 11.30 a.m. 19th February.

1948.

Repeated to Jerusalem.

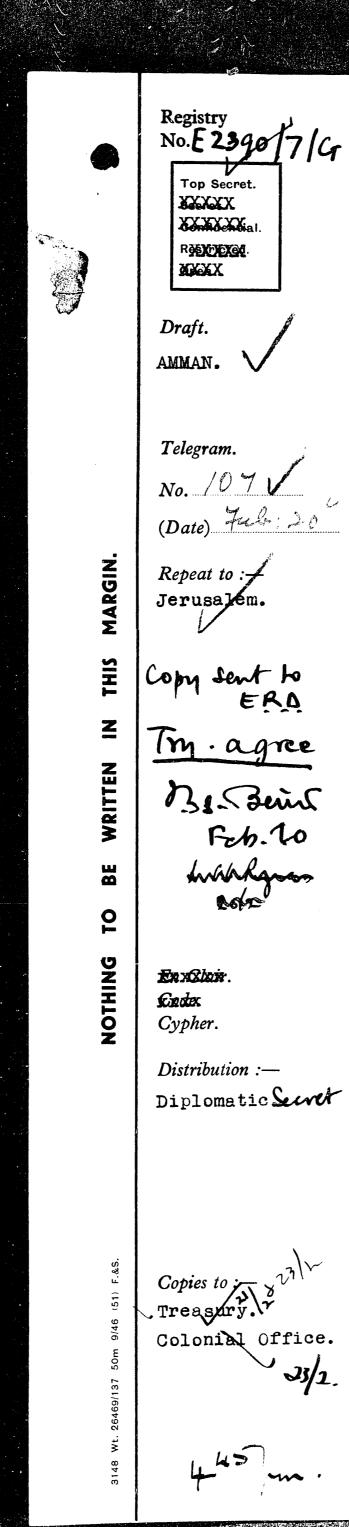
IMPORTANT.
TOP SECRET.

Addressed to Foreign Office telegram No.100 of February 19th, repeated for information Jerusalem.

My telegram No. 87 about Palestine currency.

Prime Minister is due to reach Amman on Friday afternoon February 20th so that it will not be possible for me to discuss the question with him before Saturday morning.

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F. O.,

20th February 1948.

Despatched 6.355. M.

TOP SECRET.

Addressed to Amman telegram No. 107

of Jul 20th. repeated to Jerusalem.

Your telegram No. 100 of February 19th:
Palestine.7

I shall be glad if you will telegraph
most immediately the result of your discussions
with the Transjordan Government, and in any
case so that the information may be available
here at from British time, February 21st.

If the Transjordan Government do not agree to
our issuing the statement given in paragraph 2
of my telegram No. 88, we should have to
issue the following text:-

Begins: "His Majesty's Government have consulted the Transjordan Government as to the position arising out of the departure of Palestine from the Owing to the fact that Palestine currency is also the currency of Transjordan it is technically impossible for Transjordan to remain in the Sterling Area when Palestine leaves it, and arrangements are being made accordingly. His Majesty's Government have offered to afford the Transjordan Government all possible help in making such currency and exchange control arrangements as will enable Transjordan to return to the Sterling area. Meanwhile H.M.G. will continue to provide for the necessary foreign exchange requirements of Transjordan and

to/

to/

to do everything in their power to minimise any inconvenience to the Transjordan Government and people.

Com sent to 1/p/2 Secretary

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DIPLOMATIC (SECRET)

FROM FOREIGN OFFICE TO AMMAN

No. 107 20th February, 1948

D. 6.35 p.m. 20th February, 1948

Repeated to Jerusalem

IMMEDIATE TOP SECRET

Addressed to Amman telegram No. 107 of 20th February repeated for information to Jerusalem.

Your telegram No. 100 [of 19th February: Palestine].

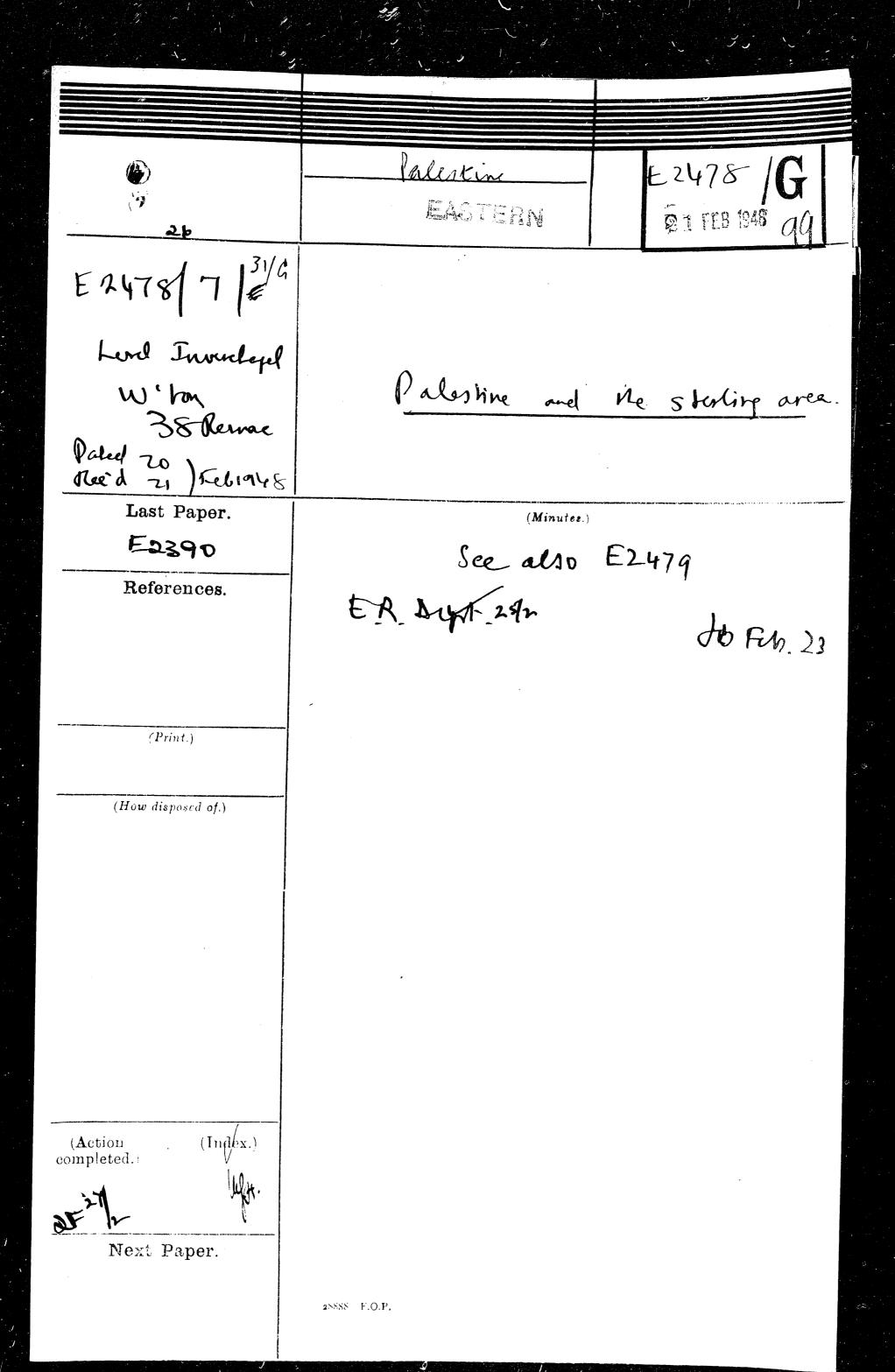
I shall be glad if you will telegraph most immediately the result of your discussion with the Transjordan Government, and in any case so that the information may be available here at 5 p.m. British time, 21st February. If the Transjordan Government do not agree to our issuing the statement given in paragraph 2 of my telegram No. 88, we should have to issue the following text:-

[Begins]

"His Majesty's Government have consulted the Transjordan Government as to the position arising out of the departure of Palestine from the Sterling Area. Owing to the fact that Palestine currency is also the currency of Transjordan it is technically impossible for Transjordan to remain in the Sterling Area when Palestine leaves it, and arrangements are being made accordingly. His Majesty's Government have offered to afford the Transjordan Government all possible help in making such currency and exchange control arrangements as will enable Transjordan to return to the Sterling Area. Meanwhile His Majesty's Government will continue to provide for the necessary foreign exchange requirements of Transjordan and to do everything in their power to minimise any inconvenience to the Transjordan Government and people". [Ends].

[Copy sent to Middle East Secretariat]

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CYPHER/OTP

CAMER/REMAC DISTRIBUTION

FROM JASHINGTON TO FOREIGN OFFICE

Lord Inverchapel. No. 38 REMAC.

D: 6.59 p.m. 20th February, 1948.

20th February, 1948.

R: 12.16 a.m. 21st February, 1948.

IMMEDIATE SECRET

[Poleshine 5).11/1]

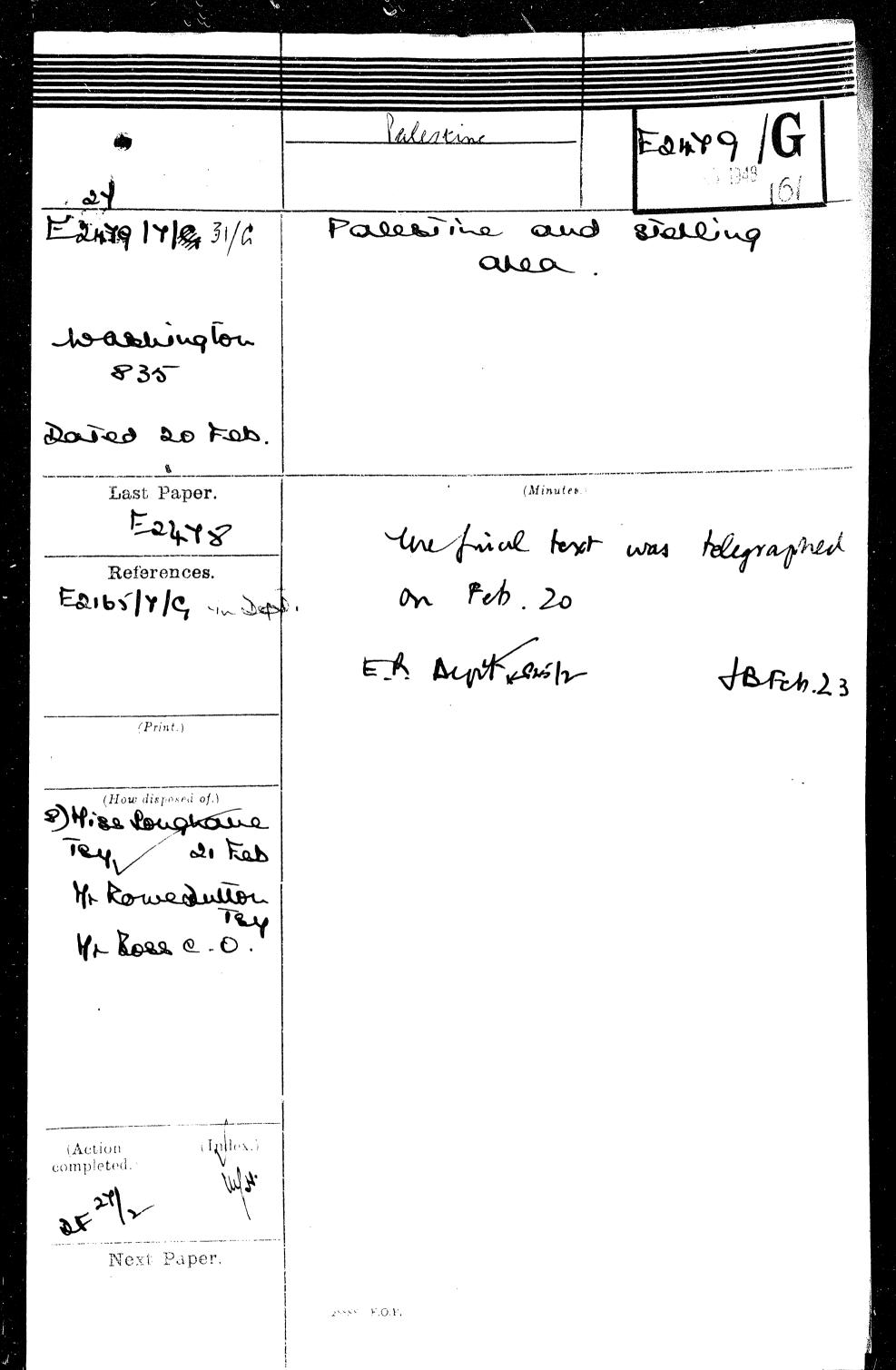
Allen of the Embassy, Christelow and Waight met Southard of United States Treasury and other Treasury and State Department officials this morning and advised them of the contents of a letter from the Ambassador to Mr. Marshall which at that moment was being handed to the latter.

The United States officials received the news calmly and there ensued a fairly general discussion on the technical aspects of the action to be taken this weekend. No comments or criticisms were offered.

We were assured that the Top Secret nature of the knowledge imparted to them this morning would be respected. We will report any reactions that may arise.

We are seeing Edwards of the Embassy this afternoon. for consideration of the necessary priming of B.I.S.

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Cypher/OTP

DIPLOMATIC (SECRET)

FROM WASHINGTON TO FOREIGN OFFICE

Lord Inverchapel No. 835

20th February, 1948

D. 7.48 p.m. 20th February, 1948 R. 12.55 a.m. 21st February, 1948

Repeated to United Kingdom Delegation New York.

IMPORTANT

TOP SECRET

DED IP

Addressed to Foreign Office telegram No. 835 of February 20th repeated to United Kingdom Delegation New York.

Your telegram No. 1929.

Palestine and the sterling area.

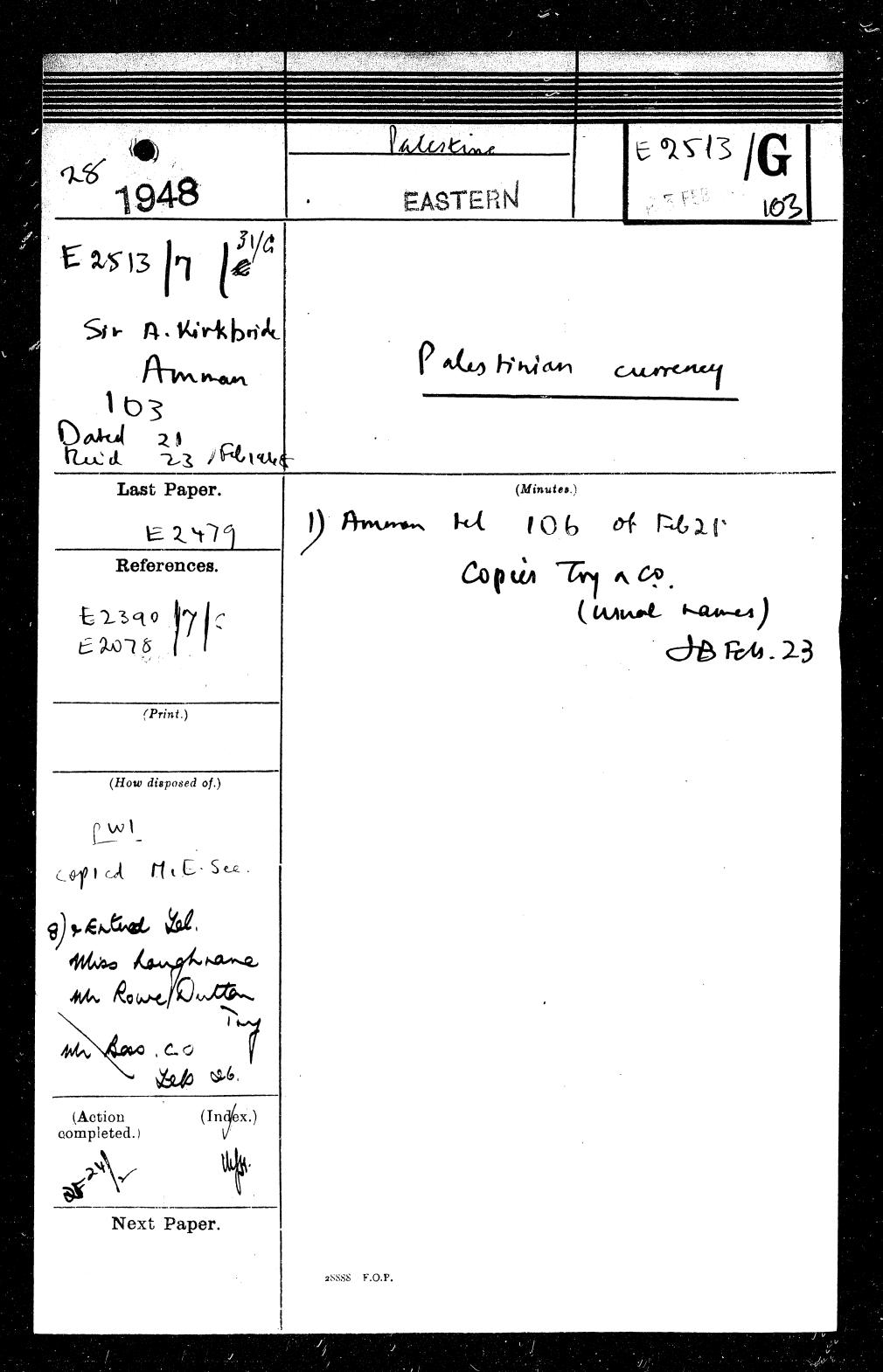
Letter from myself containing the necessary communication was conveyed to Mr. Marshall this morning. Text follows by bag. Those concerned at the official level in the State and Treasury Departments were informed orally of your decision. They took it calmly.

2. Please inform me of any last minute changes in draft statement enclosed in your despatch No. 138 of 2nd February. We propose to release copies for the press in New York and Washington as soon as news agency reports confirm that you have taken action in London.

[Copy sent to Middle East Secretariat]

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23 Feb 1948

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DIPLOMATIC SECRET.

FROM AMMAN TO FOREIGN OFFICE.

Sir A. Kirkbride. D. 9.47 a.m. 21st February, 1948. No. 103.

21st February, 1948. R. 10.30 a.m. 21st February, 1948. Repeated to Jerusalem.

IMMEDIATE.

Addressed F.O. No. 103 of 21/2, repeated for information to My telegram No. 100 about Palestinian currency.

Jerusalem.

In view of a further delay of twenty-four hours in return of Prime Minister, I decided to inform King Abdullah and Acting Prime Minister of position on Friday afternoon. Information was given in confidence.

2. As I anticipated, statement that Trans-Jordan would have to leave the sterling area stunned them and it was with the greatest difficulty that I managed to bring the King to a partial realisation as to what it really meant. My efforts to explain the position to the Acting Prime Minister had little success.

Acting Prime Minister was the only Minister left in Transjordan and he refused to take the responsibility single-handed. Minister of Finance is being flown back from Cairo this morning and will I hope be capable of appreciating the true position. I hope to obtain a decision about the statement later in the day.

33**5**

[This telegram is of particular secrecy and should be retained by the authorised recipient and not passed on] DIPLOMATIC (SECRET) Cypher/OTP FROM AMMAN TO FOREIGN OFFICE D. 2.41 p.m. 21st February 1948 R. 2.50 p.m. 21st February 1948 Sir A. Kirkbride No. 106 Zist February, 1948 MOST IMMEDIATE TOP SECRET 2 3 FEB 1945 My telegram No. 103. Acting Prime Minister has now agreed to issue a joint statement by British and Transjordan Governments following the text given in your telegram No. 88. I am assuming the announcement will be made tomorrow. [Copy sent to Middle East Secretariat]. uuuuu

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106

Outward Telegram from Commonwealth Relations Office

24

EXTERNAL DEPARTMENT (B)

TOP SECRET

CYPHER (O.T.P.)

POLITICAL RESIDENT IN THE PERSIAN GULF (Sent: 20.20 hours, 21st February 1948)

IMPORT/NT

No.55. TOP SECRET.

Exchange Control Palestine and Transjordan. Following is top secret until 1 a.m. G.M.T. Sunday, 22nd February.

- Largely because of impending political changes Palestine will cease to be one of the Scheduled Territories as from 22nd February and the existing sterling assets in United Kingdom of banks (but not other persons) resident in Palestine will be blocked on No.2 Accounts. Certain amounts will be released and will be credited, together with current accruals, to free accounts of the banks, which will be known as No.1 Accounts. The accounts of other residents of Palestine will be known as Palestine Accounts. Balances on No.1 accounts and Palestine accounts will be freely available for payment to residents in Scheduled Territories (including payments for exports to Palestine) and for transfer to any other account of a resident of Palastine (including No.2 Accounts).
- Transjordan will leave Scheduled Territories at the same time because Palestine currency is used in Transjordan, but no balances held on Transjordan account will be blocked. Accounts of residents of Transjordan will be known as Transjordan accounts and will be freely available for making payments to residents in Scheduled Territories (including payments for exports to Transjordan) and for transfer to other Transjordan Accounts).

/4. Palestine

- 4. Palestine currency has not been specified.
- 5. Changes will not affect settlement of transactions authorised by Palestine and Transjordan Controls before departure of these countries from Scheduled Territories,
- e. Parallel action should be taken locally by you as follows so far as appropriate in local conditions. (This is based on instructions sent to Colonies):
 - (a) local accounts of residents of Palestine and
 Transjordan should be redesignated Palestine and
 Transjordan Accounts respectively:
 - (b) transactions involving residents of Palestine and
 Transjordan should be controlled in the same way as
 transactions involving other non-residents:
 - (c) payment for local exports to Palestine should be obtained in sterling from a Palestine No.1 Account or Palestine account in U.K. or in the currency of any other Scheduled Territory paid from the account of a resident of Palestine:
 - (d) payment for local exports to Transjordan should be obtained in sterling from a Transjordan Account in U.K. or in the currency of any other Scheduled Territory paid from account of resident of Transjordan:
 - (e) all payments to Palestine and Transjordan should be effected in the currency of a Scheduled Territory unless payable in some other currency under an existing contract:
 - (f) if, however, in any territory insistence upon settlement in the currency of a Scheduled Territory as in subparagraphs (c), (d) and (e) above would cut across a longstanding practice of settlement in Palestine currency the use of this currency may be authorised exceptionally but please inform me of approximate

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/amount

- 3 amount likely to be involved annually. Local accounts of residents of Palestine should not (repeat not) be frozen nor designated No.1 and No.2 Accounts as in the United Kingdom. Copies to:-- Mr. Costar. - Mr. Davey.
- Miss Loughmane.
Mr. D. Mitchell. C.R.O.(B) Treasury Bank of England- Mr. E. Crawshaw. Foreign Office - Mr. L.F.L. Pyman.

2,6 FED 1948

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Outward Telegram from Commonwealth Relations Office

pw 106

EXTERNAL DEPARTMENT (B)

CYPHER (O.T.P.)

TO:

POLITICAL RESIDENT IN THE PERSIAN GULF

(Sent:

19.20 hours, 21st February 1948)

IMPORTANT

TOP SECRET

No.56. TOP SECRET.

My immediately preceding telegram. Following is top secret until 1 a.m. G.M.T. Sunday, 22nd February after which it is for your guidance in reply to enquiries. Text of 2 Press statements to be released at that hour follow by bag. The short explanation of this action is that membership of the sterling area necessarily implies the existence of local exchange controls which are in a position to carry out efficiently a policy regarding expenditure outside the sterling area generally similar to that of the U.K., and inspired by similar motives of common interest. While H.M.G. have complete confidence in the present Palestine Exchange Control, they can at present have no such confidence that the successor States will be in a position to create and maintain such controls, so as to ensure against excessive drawings on the gold and dollars which form the control resources of the sterling area. As regards the sterling balances, exclusion from the sterling area would not of itself affect Palestine's freedom to spend her sterling within the For your own information the sterling balances have declined from £115 million to £98 million between June and end of November 1947, and it seemed likely that the rate of expenditure would increase during the period now approaching. This would impose an intolerable burden on the productive capacity of the sterling area and particularly of the U.K. Moreover the dissipation of the balances in this way would not be in the true interests of Palestine herself.

/3. Transjordan

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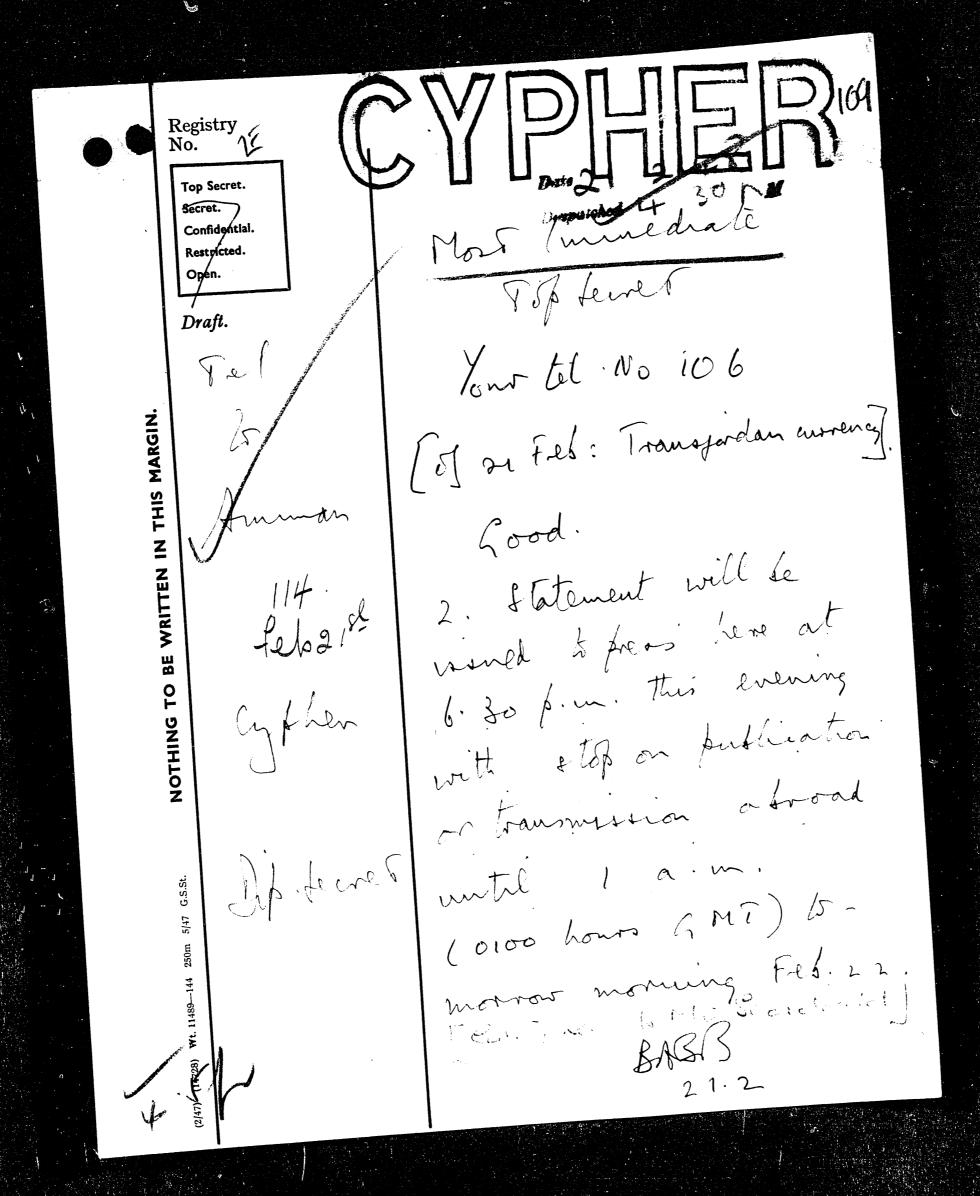
- 2 -

but we are stressing the reason that this is because Transjordan uses Palestine currency, and it is impossible that of two adjacent territories using the same currency, one should be within and the other outside the sterling area. We have promised advice and help to Transjordan in making other arrangements with a view to readmission to the sterling area. Meanwhile H.M.G. will continue to provide Transjordan with foreign exchange for her essential requirements. Transjordan's small sterling balances will not (repeat not) be blocked.

4. The U.S. Government have been given advance information of this action.

Copies to:C.R.O. (A) - Mr. Costar.
C.R.O. (B) - Mr. Davey.
Treasury - Miss Loughnane.
Mr. D. Mitchell.
Bank of England- Mr. E. Crawshaw.
Foreign Office - Mr. L.F.L. Pyman.

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Cypher/OTP TOP SECRET DIPLOMATIC (SECRET)

FROM FOREIGN OFFICE TO AMMAN

No. 114

D. 4.30 p.m. 21st February, 1948

21st February, 1948

MOST IMMEDIATE
TOP SECRET

Your telegram No. 106. [of 21st February: Transjordan currency].

Good.

2. Statement will be issued to press here at 6.30 p.m. this evening with stop on publication or transmission abroad until 1 a.m. (0100 hours G.M.T.) tomorrow morning February 22nd.

[Copy sent to Middle East Secretariat].

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Cypher/OTP TOP SECRET

DIPLOKATIC (SECRET)

FROM FOREIGN OFFICE TO AMMAN

No. 114

D. 4.30 p.m. 21st February, 1948

21st February, 1948

MOST IMMEDIATE TOP SECRET

Your telegram No. 106. of 21st February: Transjordan currency].

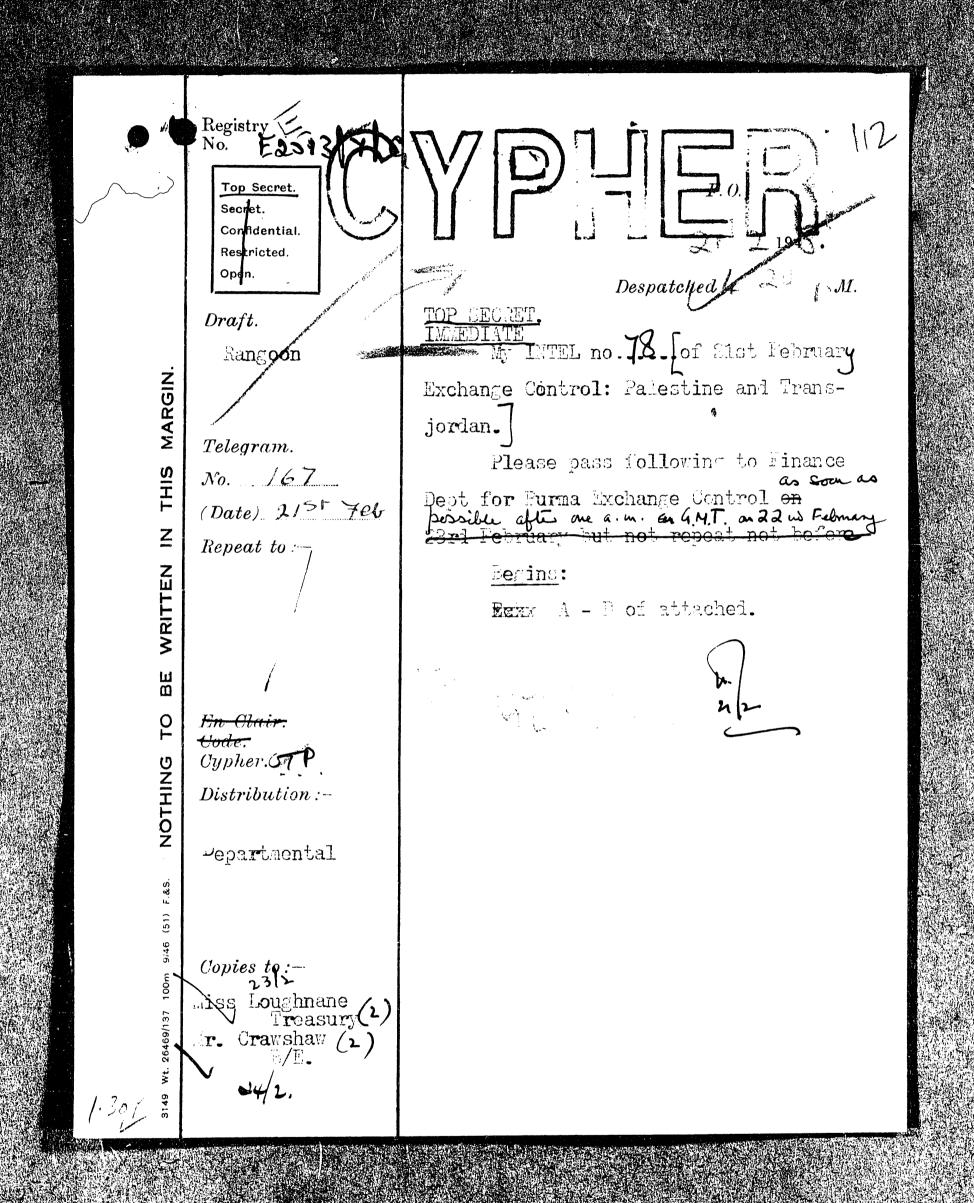
Good.

2. Statement will be issued to press here at 6.50 p.m. this evening with stop on publication or transmission abroad until 1 a.m. (0100 hours G.M.T.) tomorrow morning February 22nd.

[Copy sent to Middle East Secretariat].

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DRAFT CIRCULAR TELEGRAM TO THE COLONIES, SOUTHERN RHODESIA, CEYLON & BURMA

Top Secret.

Exchange Control: Palestine and Transjordan.

- Palestine will cease to be one of the Scheduled Territories as from 22nd February and the existing sterling assets in United Kingdom of banks (but not other persons) resident in Palestine will be blocked on No.2 Accounts. Certain amounts will be released and will be credited, together with current accruals, to free accounts/which will be known as No.1 Accounts. The accounts of other residents of Palestine will be known as Palestine Accounts. Balances on No.1 and Palestine accounts accounts accounts/will be freely available for payment to residents in Scheduled Territories (including payments for exports to Palestine) and for transfer to any other account of a resident of Palestine (including No.2 Accounts).
- time because Palestine currency is used in Transjordan, but no balances held on Transjordan account will be blocked. Accounts of residents of Transjordan will be known as Transjordan accounts and will be freely available for making payments to residents in Scheduled Territories (including payments for exports to Transjordan) and for transfer to other Transjordan Accounts.

 3. Palestine currency has not been specified.
- changes will not affect settlement of transactions authorised by Palestine and Transjordan Controls before departure of these countries from Scheduled Territories.
- (For a Phodesia) It would be appreciated if the Social Surma authorities would take parallel action as follows so far as appropriate in local conditions:-
- (a) local accounts of residents of Palestine and Transjordan should be redesignated Palestine and Transjordan Accounts respectively:

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P.T.O.

- (b) transactions involving residents of Palestine and
 Transjordan should be controlled in the same way as
 transactions involving other non-residents:
- (c) payment for local exports to Palestine should be obtained in sterling from a Palestine No.1 Account or Palestine account in U.K. or in the currency of any other Scheduled Territory paid from the account of a resident of Palestine;
- (d) payment for local exports to Transjordan should be obtained in sterling from a Transjordan Account in U.K. or in the currency of any other Scheduled Territory paid from account of resident of Transjordan;
- (e) all payments to Palestine and Transjordan should be effected in the currency of a Scheduled Territory unless payable in some other currency under an existing contract;

the currency of a scheduled Territory as in sub-paragraphs

(d) and (e) above would cut across a longstanding

practice of settlement in Pelectine currency the use of this
currency may be authorized exceptionally but please inform

ma of approximate amount likely to be involved annually.

Local accounts of residents of Palestine should not (repeat not) be frozen nor designated No.1 and No.2 Accounts as in the United Kingdom.

Ewb //B

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This telegram is of particular secrecy and should be retained by the authorised recipient and not passed on]

Cypher/OTP

DEPARTMENTAL

Top Secret

FROM FORTIGH OFFICE TO RANGOOM

No. 167

D. 4.20 p.m. 21st February 1948

Sist February 1948

INTEDIATE

My Intel No. 78 [of 21st February. Exchange Control: Palestine and Transjordan].

Please pass following to Finance Department for Burma Exchange Control as soon as possible after one a.m. GIT on 22nd February.

[Begins]

Exchange Control: Palestine and Transjordan.

Largely because of impending political changes,
Palestine will cease to be one of the Scheduled Territories
as from 22nd February and the existing sterling assets in
United Mingdom of banks (but not other persons) resident
in Palestine will be blocked on No. 2 Accounts. Certain
amounts will be released and will be credited, together
with current accruals, to free accounts of the banks which
will be known as No. 1 Accounts. The Accounts of other
residents of Palestine will be known as Palestine Accounts.
Balances on No. 1 accounts and Palestine accounts will be
freely available for payment to residents in Scheduled
Territories (including payments for exports to Palestine)
and for transfer to any other account of a resident of
Palestine (including No. 2 Accounts).

- 2. Transjordan will leave Scheduled Territories at the same time because Palastine currency is used in Transjordan, but no balances held on Transjordan account will be blocked. Accounts of residents of Transjordan will be known as Transjordan accounts and will be freely available for making payments to residents in Scheduled Territories (including payments for exports to Transjordan) and for transfer to other Transjordan Accounts.
 - 5. Palestine currency has not been specified.
- 4. Changes will not affect settlement of transactions authorised by Falestine and Transjordan Controls before departure of these countries for Scheduled Perritories.

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- 5. It would be appreciated if the Government of Burma would take parallel action as follows so far as appropriate in local conditions:-
- (a) local accounts of residents of Palestine and Transjordan should be redesignated Palestine and Transjordan Accounts respectively:
- (b) transactions involving residents of Palestine and Transjordan should be controlled in the same way as transactions involving other non-residents:
- (c) payment for local experts to Palestine should be obtained in sterling from a Palestine No.1 Account or Palestine account in United Kingdom or in the currency of any other Scheduled Territory paid from the account of a resident of Palestine;
- (d) payment for local exports to Transjordan should be obtained in sterling from a Transjordan Account in United Kingdom or in the currency of any other Scheduled Territory paid from account of resident of Transjordan;
- (e) all payments to Palestine and Transjordan should be effected in the currency of a Scheduled Territory unless payable in some other currency under an existing contract.
- 6. Local accounts of residents of Palestine should not (repeat not) be frozen nor designated No.1 and No.2 Accounts as in the United Kingdom. [Ends]

[]@py seat to MidDle Da t Documbaciet]

27

For Cypher Room use only Treas. Ref. Dear My telegram no. 78 Intel. If you agree please despatch Please advise State Bank of Ethiopia that Palestine and Transjordan Draft telegram to ceased to be members of the sterling area as from Sind February. No. 3 CAMER Date 23 /3/48 JB Feb. 23 Repeat to_____ No. ____ CAMER Repeat to___ Copies to_

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En Clair

CAMER/REMAC DISTRIBUTION.

FROM FOREIGN OFFICE TO ADDIS ABABA

Ne. 5 Camer

23rd February 1948.

D. 8.44 p.m. 23rd February 1948.

IMMEDIATE.

My telegram No. 78 Intel.

Please advise State Bank of Ethiopia that Palestine and Transjordan ceased to be members of the sterling area as from 22nd February.

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En Clair

POLITICAL DISTRIBUTION

FROM ANGORA TO FOREIGN OFFICE

Sir D. Kelly
No. 106
24th February, 1948.

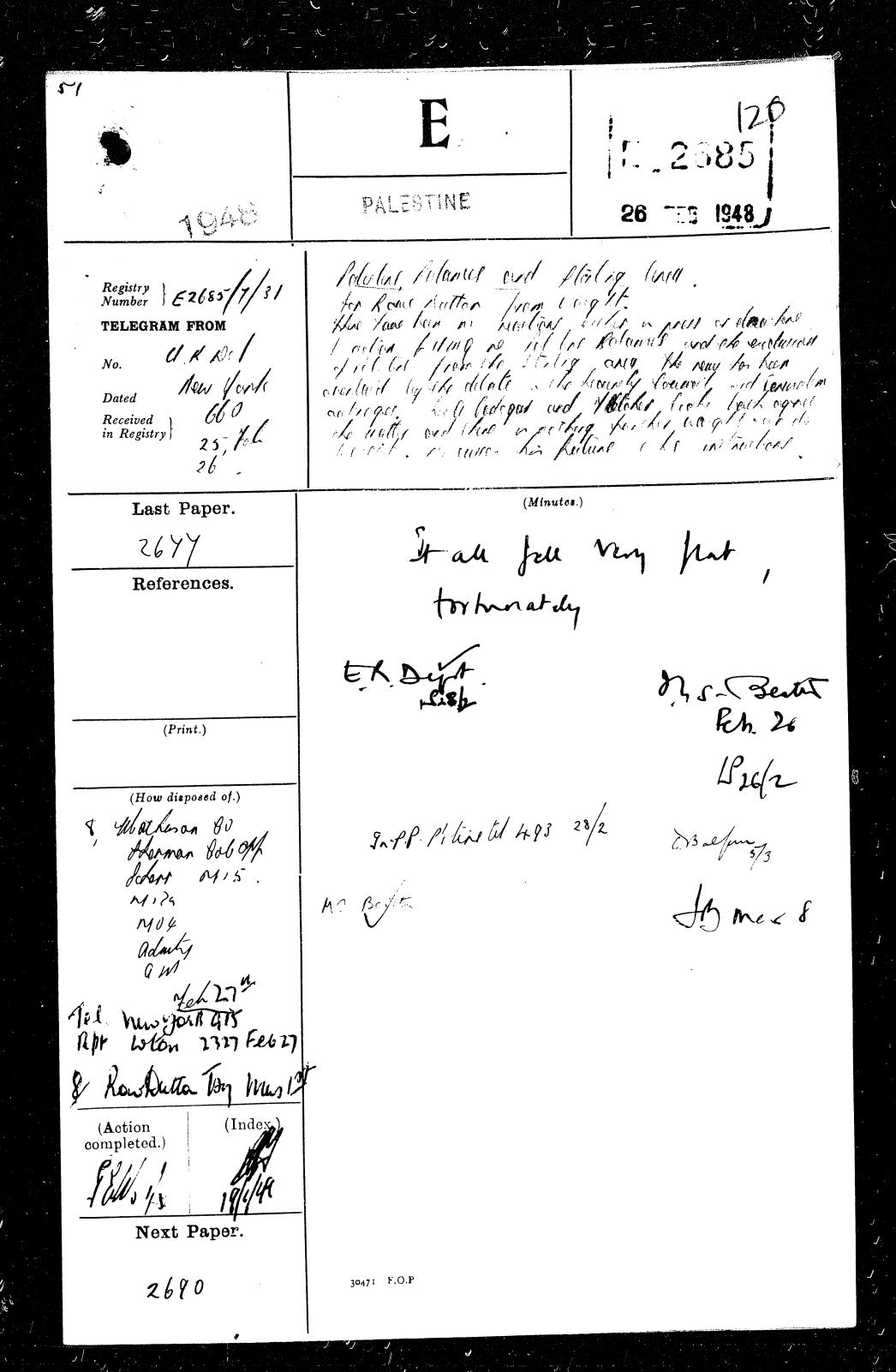
Pour telegram No. 78 Intel. Palestine leaves

Sterling area.

Ministry of Foreign Affairs has requested formal written notification as in the case of Egypt (your telegram No. 44 Camer November 4th, 1947). I should be grateful for references to and copies of statutory rules and orders etc.

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Cypher/OTP

DEPARIMENTAL

FROM NEW YORK TO FCREIGN OFFICE

(From United Kingdom Delegation to United Nations)

No. 660.

D. 3.47. p.m. 25th February R. 9.15. p.m. 25th February

25th February 1948.

Repeated to Jerusalem,
Washington, Saving.

IMPORTANT

26 FEB 1948

SECRET

Addressed Foreign Office telegram No. 660 of 25th February repeated for information to Jerusalem and saving Washington.

Following for Rowe-Dutton of the Tressury from Waight.

[Begins]

There have been no (repeat no) reactions here either in the press or elsewhere to our action concerning Palestine balances and the exclusion of Palestine from the sterling area. The news has been overlaid by the debate in the Security Council and Jerusalem outrages.

- 2. I have discussed with Cadogan and Fletcher Cooke and both agree that as regards
- (A) Blocking action and exclusion of Palestine from sterling area, the matter is dead and there is nothing further I can do to assist;
- (B) Other matters in E.P.C. (48)7, the Palestine Commission are more concerned with the Security Council debate and reactions therefrom than they are with lesser metters and in Fletcher Cooke's view the Commission will not discuss these minor matters for perhaps a month if at all. There seems therefore little that I can do to assist on this metter.
 - 3. In view of this situation there are the following

/courses

courses open to me:-

- (A) Return home;
- (B) Stay here indefinitely or
- (C) Visit T. V. A. (of which Eady has cognisance) returning to New York in about ten days time for anything on my subjects that may have developed.
 - 4. Please instruct.

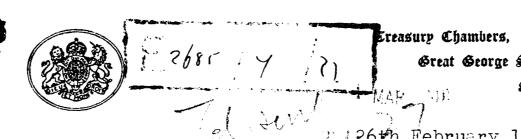
Please pass important to Colonial Office and repeat important to Jerusalem as my telegram No. 132.

[Copies sent to Colonial Office for information and for repetition to Jerusalem.]

[Copies sent to Treasury.]

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26th February 1948.

Great George Street,

Dear Beith,

No doubt you have seen New York telegram No. 660 from Waight to myself.

So far as we are concerned we should see real advantage in his spending a few days looking at the T.V.A. scheme. It is clear that he is not needed in New York and for the time being we can spare him from here for a few days more.

If, therefore, you see no objection I suggest you might send him the following telegram. Yours sincerely,

J.G.S. Beith Esq. Foreign Office.



DRAFT TELEGRAM TO NEW YORK.

IMPORTANT SECRET

Addressed to New York, Telegram No.

of Repeated for information to Jerusalem
and Washington.

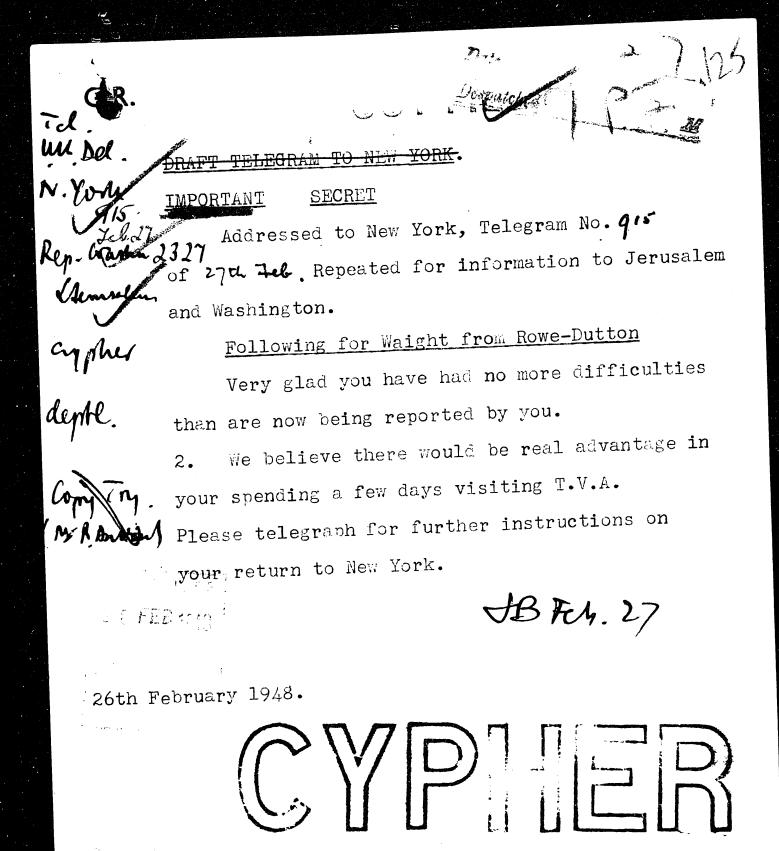
Following for Waight from Rowe-Dutton

Very glad you have had no more difficulties than are now being reported by you.

2. We believe there would be real advantage in your spending a few days visiting T.V.A.

Please telegraph for further instructions on your return to New York.

26th February 1948.



68605

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Cypher/OTP

DEPARTMENTAL

FROM FOREIGN OFFICE TO NEW YORK

(To United Kingdom Delegation to United Nations)

No. 915.

D. 9.0. p.m. 27th February 1948.

27th February 1948.

Repeated to Washington No. 2327.

Jerusalem.

IMPORTANT

SECRET

Addressed to New York, telegram No. 915 of 27th February, repeated for information to Jerusalem and Washington.

Following for Weight from Rowe-Dutton

Very glad you have had no more difficulties than are now being reported by you.

2. We believe there would be real advantage in your spending a few days visiting T.V.A. Please telegraph for further instructions on your return to New York.

.....

DDUCED PHOTOGRAPHICALLY WITH-PERMISSION OF THE PUBLIC INWARD TELEGRAM

pw/27

TO THE SECRETARY OF STATE FOR THE COLONIES

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Code

FROM PALESTINE (Gen. Sir A. Cumningham)

D. 28th Pebruary, 1948.

A. 28th

14.00 brs.

LMPORTANT

No. 493 Confidential.

Addressed to S. of S.
Repeated to UKDEL New York BRIEF No. 516
(Washington please para) for
Pletcher-Opeka.

You may wish to (? have omitted) proluminary assessment of <u>local reactions</u> to the announcement that Palestine would be outside the Sterling area from 22nd February.

2. Except for the first press comments fellowing the release to the press, public attention was preceduated with Hen Yehoda Street outrage. Sudden news came as a great supprise even to those who had expected come such action at the termination of the Mandate. Hitherto criticism has been from the Jewish side and on two grounds; in the first place Britain is accused of unilateral action without consultation with parties most interested (the practicability of such a course is not reviewed) and is to implied that the action is not a defensive financial persuade on much as a defensive financial persuade on much as a definitionally, but principally politically. The accord ground of accusation is that which has been advanced before, to the offical that sterling belances of Falcation force in a constitute that sterling belances of Falcation force in the constitute prices. In they was largely existed) industry) and not acrease an accusation is inflicted prices. I have never been able to expect to the force of this argument, especially if regard in had not be benefited derived by the population fine leading and appropriation of the process of industrial and process the fine accusing the desired of the percentage of the reasons for this step (i.e. is compared.

in this existence and I have been gratified to be denough the constitute existing an interest were interestable for the denough the series of the strains of the series of

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the Only place where there was any panic was in Tel Aviv where there was a big run on the Anglo-Palestine Bank which had to close for a day, but this was largely due to the fact that 22nd February was a Sunday and that the bank was unable to contact Currency Board Agent to obtain additional currency. Following days, when it was realised that funds were available, panic abated and all new appears normal. In nearly Jaffa the movements on balance slightly favoured deposits (repeat deposits) with banks.

announced their intention to conserve their share of now rationed sterling resources in the interest of ordered development, and I gather that they propose to persuade Jewish importers to canalise their applications through Jewish Agency Economic Departments. I imagine that if this acheme functions successfully control will be quite as strict as official control. The latter will therefore be gled to cooperate with Agency in this matter provided submission of applications through Agency remains voluntary.

due to weakening of links with important monetary areas, especially as neither Egypt nor Syria, with which countries, palestine Arabs have close commercial and financial ties, are not attached to any important monetary areas. But for disturbed state of country this unessiness would probably have found expression in large scale investments in immovable property or in foodstuffs; latter are however insufficient to meet this sort of demand.

Copies sent to:Porcign Office

Freasury

Beak of Hoppeon

Hr. Beith.

Sir E. Hell-Patch.

Mr. Tevelyan.

Mr. Rowe Dullon.

Mr. W.E. Young.

Mr. H.E. Bycoks.

Mr. D. Sicymann.

Mr. Accabe.

Mr. Mass Reaghance.

PUBLIC RECORD OFFICE Ref.

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The 95 has minuted as There should be talks with the Treasury regarding the new situation likely to arise regarding Parkothing bill it affect their action in friences field." for trunks.

I took to the Treasury this morning the telegrams suggesting that the Americans might be having second thoughts about the whole principle about partition and discussed them with Sir W. Eady, Mr. Rowe Dutton and Mr. Norman Young. They felt strongly that unless before Saturday night there is some quite definite indication that we are likely to stay in Palestine beyond the dates announced, we ought not to change the plan to put Palestine outside the sterling area on Saturday night. Even if there is a new Assembly and it reaches a different decision, this will presumably not lead to any change in our dates except in the unlikely hypothesis that both Arabs and Jews should agree to ask us to stay longer. Even if a new Assembly modified the previous decision we should still want to put Palestine outside the sterling area because we should not have confidence in the exchange control. In fact the action to be taken this weekend is a function of the dates of laying down the Mandate and final withdrawal and unless before then we take a decision that these can be modified, it would not be wise to modify the date for final action. The Chancellor of the Exchequer has seen the Ottawa telegram, of which a copy is attached, and aid not feel that it need affect the financial arrangements.

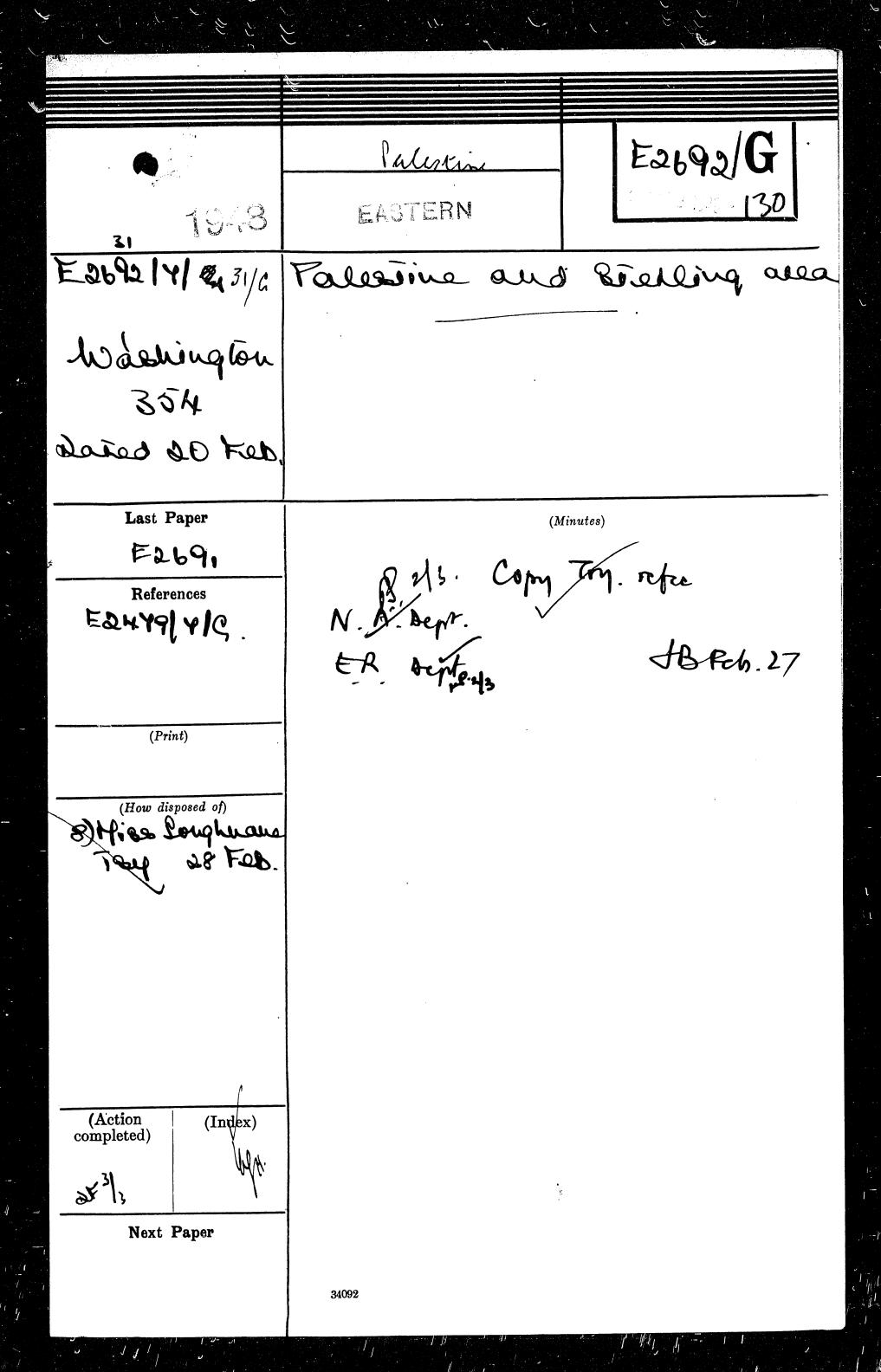
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17th February, 1948.

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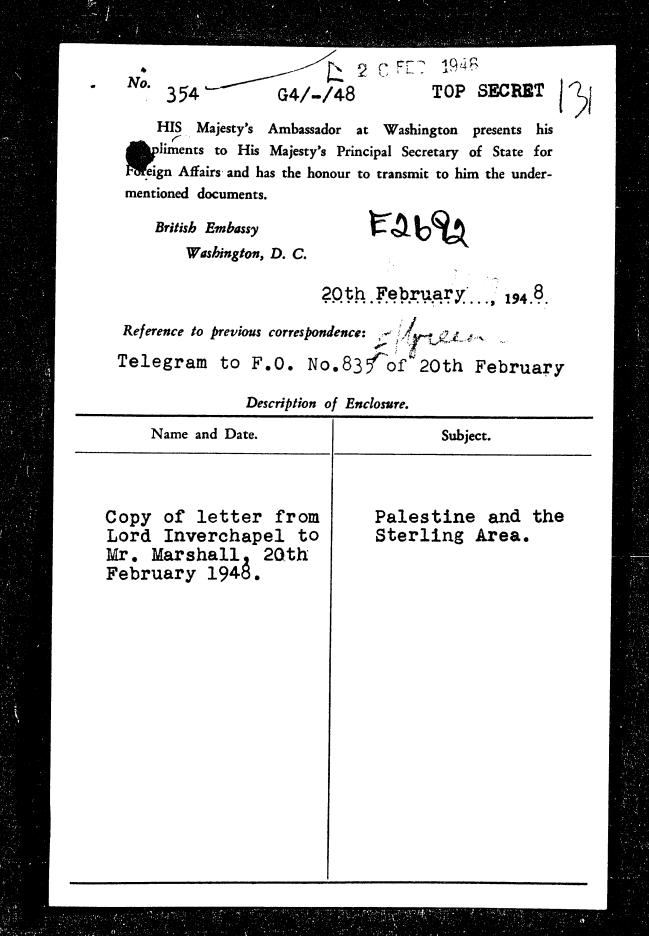
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Ref: Q4/-/48

20th February 1948

TOP SECRET

I have been instructed by Mr. Bevin to give you the following information regarding the position of Palestine in respect to the sterling area.

The approaching termination of the Palestine Mandate has made it necessary for His Majesty's Government in the United Kingdom to consider most carefully what financial arrangements should be made in the interests of the successor Governments in Palestine and of the sterling area in order to preserve the resources of Palestine for the use of the new States and to safeguard the balance of payments position of the United Kingdom. His Majesty's Government in the United Kingdom are resolved to do all in their power to prevent damage to the financial and economic structure of Palestine during the period

/of The Honourable
George C. Marshall,
Secretary of State of the United States,
Washington, D.C.

of their withdrawal.

During the period of the Mandate, Palestine has been a member of the sterling area. She is also the holder of sterling balances, the present total of which is about \$100,000,000, a large amount in proportion to the size of the country. These balances have been drawn on rapidly in recent months. This drain obviously cannot be allowed to go on. It would mean that the resources of Palestine which will be needed for the development of the country would be in danger of being unduly depleted. The drawing down of the balances in this way would also aggravate the balance of payments problem of the United Kingdom and the rest of the sterling area.

As in the case of other countries holding large balances - e.g. India, Egypt and Iraq - the only way in which the drain can be stopped is by blocking the greater part of the balances. His Majesty's Government in the United Kingdom have decided therefore, for the reasons given above, that the balances of Palestine must be similarly blocked

/and

and have taken steps accordingly. In order immediately to provide the resources necessary to carry on Palestine's normal international trade, His Majesty's Government in the United Kingdom will make available during the interim period and subsequently, the resources which they are satisfied are necessary.

are being released in order to provide L4 million as working balances for the banks in Palestine and L3 million to be used together with current accruals of sterling, which will be at Palestine's disposal for current expenditure until the middle of May.

arrived at after careful consideration and consultation with the present administration and His Majesty's Government in the United Kingdom are satisfied that they should prove amply sufficient to enable Palestine to meet all her needs during that period. Future policy for release from the sterling balances will be the subject of consultation between Sir Alexander Cadogan,

/representative

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representative at the United Nations of His Majesty's Government in the United Kingdom, and

the Commission for Palestine which is now being established by the United Nations, and the views of the Commission will be given full consideration in the formation of policy in regard to future releases. As soon as the Joint Economic Board is established, His Majesty's Government in the United Kingdom will also initiate discussions with that Board for the same purpose.

In the special circumstances of Palestine, where His Majesty's Government in the United Kingdom must assume that, for a period at least, a thorough and comprehensive exchange control will be lacking, the blocking of the balances would not entirely safeguard the resources of Palestine, so long as the country remained in the sterling area. If His Majesty's Government in the United Kingdom allowed a situation to continue in which such leakages could occur, they would not be carrying out their responsibilities to the sterling area or to

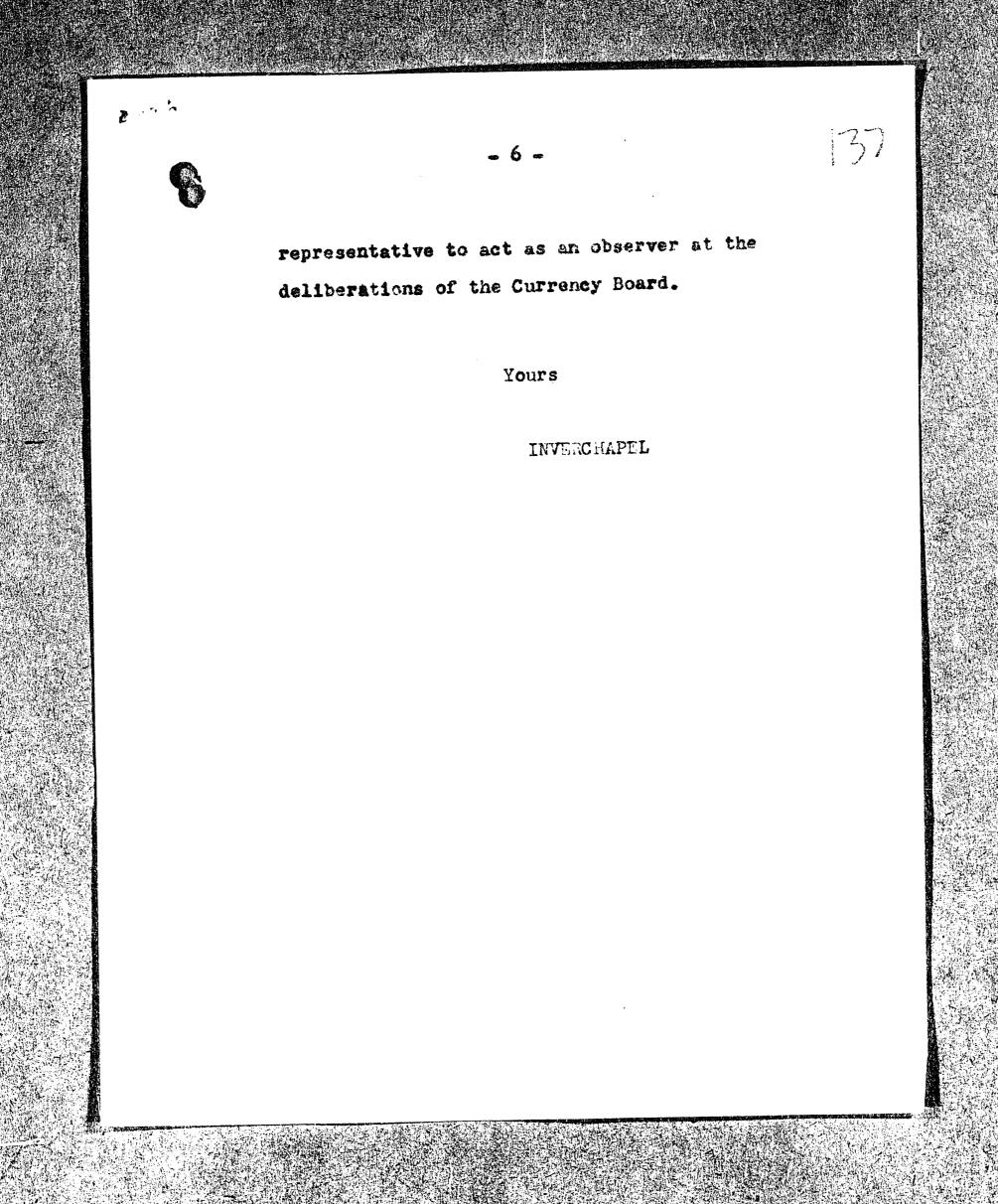
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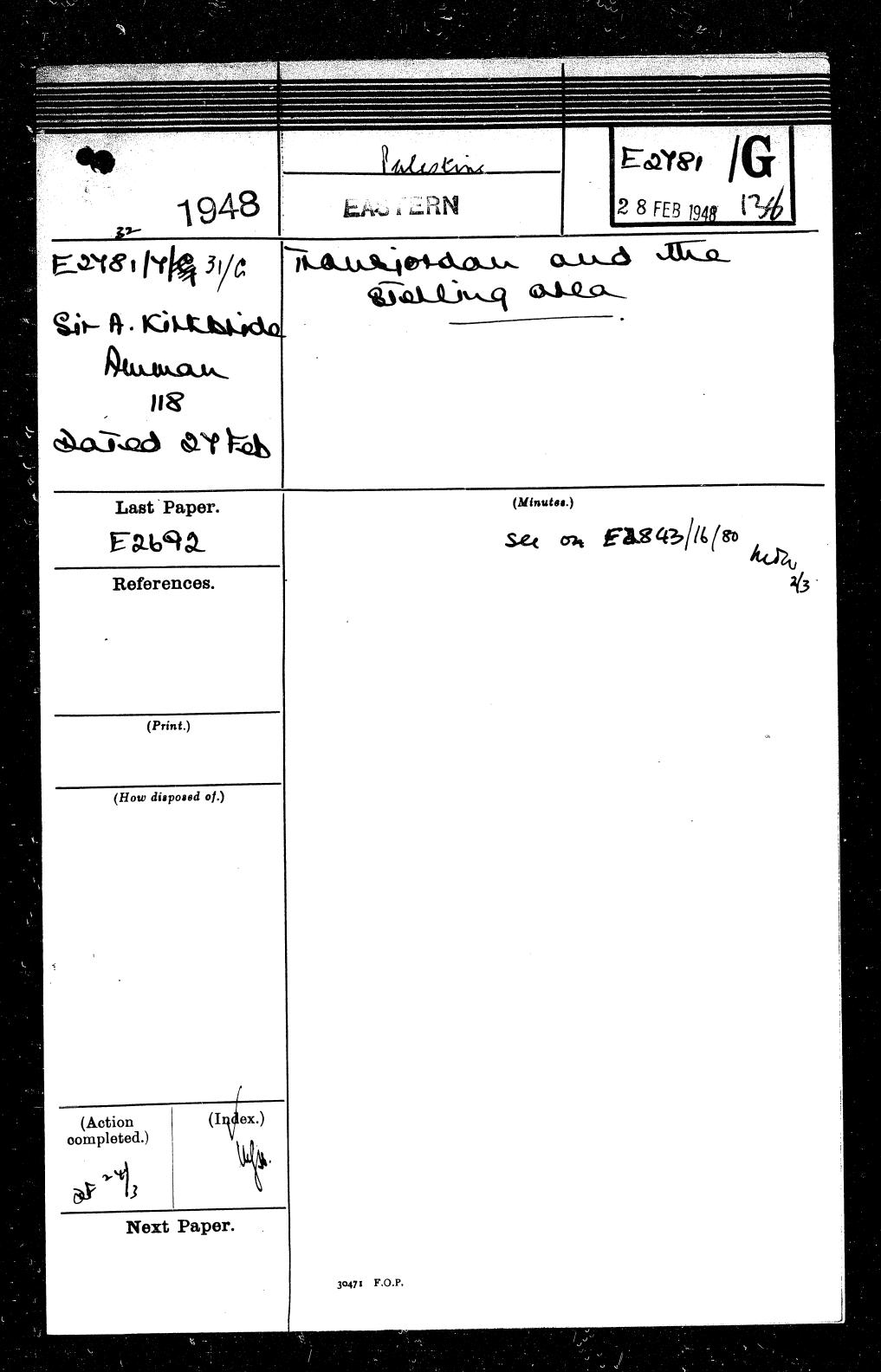
Palestine. They therefore consider it desirable in the interests of both that Palestine should not remain a member of the sterling area and she will cease to be a member therefore from 22nd February, the date on which the balances will be blocked. Should the Successor Governments desire it, His Majesty's Government in the United Kingdom will be ready to discuss with them the question of their readmission to the sterling area.

existing Currency Board, subject to any necessary changes in procedure, will continue to function in the interests of the holders of currency and of Palestine generally, pending an orderly transition to whatever arrangements may in due course be made for the future management of the currency. His Majesty's Government in the United Kingdom hope it will be possible to arrange for the United Nations Commission, if they so desire, to appoint a

/representative

As regards currency arrangements, the





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[This telegram is of particular secrecy and should be retained by the authorised recipient and not passed on]

Cypher/OTP

DIPLOMATIC (SECRET)

FROM AMMAN TO FOREIGN OFFICE

Sir A. Kirkbride No. 118

D. 5.25 p.m. 27th February, 1948 R. 7.20 p.m. 27th February, 1948

27th February, 1948 Repeated to Bagdad,

IMMEDIATE CONFIDENTIAL

Addressed to Foreign Office telegram No. 118 of February 27th repeated to Bagdad.

Transjordan and the sterling area.

My telegram No. 104.

Transjordan left the sterling area without any strong reaction. There has been little comment, due in part no doubt to the political situation in Palestine which continues to absorb public interest. Market prices only rose slightly and are now tending to settle down again.

- 2. Curran has now been able to discuss the possibility of a change in currency with the Government whose initial reaction is favourable to a change-over to dinars. There is still a general desire for a currency of their own, but it is accepted that, in addition to disadvantage of expense, this course would take too long. The Prime Minister has asked whether Transjordan could be allowed to use sterling until some other arrangement is made, and although it has been explained to him that this will not be possible, has asked that the request should be transmitted to you.
- 3. Unfortunately the King and the Government (including the Minister of Finance) have not even an element of understanding of financial and economic matters. They only favour a change to dinars because we have suggested it, and they trust us to give them the best advice.
- 4. A change to dinars (the possibility cannot of course now be kept secret) is strongly opposed on the other hand by the influential Arab Manager of the Ottoman Bank and would probably be unpopular with merchants. The [gp. undec.] argument (with which Regional Director of the Ottoman Bank agrees) is as follows:
- (1) Arab Palestine will of course increasingly turn to Transjerdan for supplies. This is economically and politically desirable. It will not be a dangerously [? omission] effect since there is already a flourishing entrepôt trade upon which in fact the present prosperity of Transjordan largely depends. This entrepôt trade is tending to diminish with Syria and has ceased with Jewish Palestine. It would be a serious matter for Transjordan if trade with Arab Palestine were to be restricted and a change to dinars would restrict it. (2)

- (2) A change to dinars would probably involve Transjordan in complications with, and even interference from, the Iraqi Government.
- (3) There would be no immediate advantage in re-admittance to the sterling area, since His Majesty's Government are being so kind.
- (4) A decision to change to dinars would cause something of a panic in Palestine coming on top of exclusion from the sterling area. There would be an embarrassing flight of Palestinian pounds to Transjordan - perhaps &P 10 million or even more. This would seriously complicate change-over.
- (5) Why not leave things as they are for the moment? There are already enough complications. It will be easier to see a little later which course is best.

5. All parties have assumed incidentally that His Majesty's Government's promise to continue to provide, His Majesty's Government's promise to continue to provide, as in the past, for reasonable foreign exchange requirements of Transjordan means that their imports will remain sufficient for their present level of entrepôt trade. I should be glad to know if this assumption is correct. Curran is working now on an estimate for 1948. A present guess is that if the 1947 level of imports were maintained there would be a deficit in sterling in the order of £5,000,000, and a requirement of hard currencies to the value of approximately 1 million pounds including 1,000,000 dollars for the Iraq Petroleum Company. It is estimated that approximately half the imports into Transjordan that approximately half the imports into Transjordan are now utilised for entrepôt trade which in the past has been largely contraband but, after the end of the mandate, Transjordan will probably be the only source of supply for Central and Southern Arab areas of Palestine and trade will therefore assume a more brand nature. and trade will therefore assume a more bread nature. It is however probable that physical difficulties of import after the end of mandate will reduce the total volume of imports.

6. King Abdullah has, as you know, already discussed the possibility of a change to dinars with the Iraqi Minister. I propose to suggest to the Prime Minister, who intends to visit Bagdad soon, that he should take the opportunity of this visit to discuss the matter with the Iraqi Government. I suggest therefore that Curran should go to Bagdad in advance for preliminary discussions.

7. I should be grateful for your earliest advice on the following points:

- (1) Whether I am right in assuming that it is still your view that our interests and those of Transjordan would best be served by a change over to dinars.
- (2) Whether you consider that there are in fact likely to be complications with the Iraqi Government if the dinar is adopted, in particular as regards provision of foreign exchange requirements which appear to be at present on a more generous scale than that afforded to Iraq.

[Copy sent to Middle East Secretariat]

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948 Registry Number E3350/7/31 J. Higham Colonial Office 75**173/21/**48 to Mr Beith Received 10th Mar 12th Mar in Registry Last Paper. 7/95 References. (Print.) (How disposed of.) War 18 RATA Hiram. El. Ynearury 1 Mair 31 (Index. (Action completed.) Next Paper.

E 3550 PALESTINE

Palestine Currency Board Reserve Stocks.

Palestine Currency board have recently been considering the question of the security of their reserve stocks in Palestine after the termination of the Mandate . Encloses CO tel No 472 to Palestine and Palestine tel 540 in reply. Asks F. O. views on the suggestion that stocks of currency for use in the Arab areassof Palestine should be kept in the Ottoman Bank in Amman.

(Minutes.)

The proposal made by the Colonial Office in their letter within seems to be a reasonable one but it has perhaps a slight political tinge as suggesting that we might favour Transjordan control over the Arab areas of Palestine. I am afraid we must accept the fact that Jerusalem will either be isolated or in a state of civil war which would make it impossible for reserve currency to be held there. The Colonial Office are looking into the possibility of using Cyprus for this purpose but that does not seem very suitable either. It would mean involving us in a special liability in regard to the Arab areas.

I suggest that on balance we should agree to the Annan proposal.

N Walker

De sa Seins 13th March, 1948.

Ise as political Réclien. It unjour houveren he as well to mention the proposal to Si Akishing have an The Calut in American is an Hale See para 4 & Amaria l'el 118, copy attachet MINALMER)

The proposal appears to be that the Ottoman Bank at Amman shall become the agent of the Palestine Currency Board in respect of the "Arab Areas" of Palestine after the 15th May and hold in Amman the Bank Note reserves attributed by the Currency Board to the Arab areas of Palestine.

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If this proposal were put into effect it would only, I think, be interpreted by King Abdullah as a clear and unmistakable hint that we wished him to take over the "Arab areas". And it would certainly look very much to the outside world as if in taking this action we were practically inviting King Abdullah to walk into Palestine. For this reason I think that we should refuse to accept the proposal.

I suggest that the best thing to do with the Currency Board's reserves destined for the Arab areas of Palestine is to send them to Haifa with the rest. Until final withdrawal of our troops it can presumably be arranged that if Banks in the Arab areas need more currency the currency in question can be taken under British escort to some place accessible to the Arabs. The Currency Board should also try to ensure that before the 15th May all the Arab Banks have ample stock of currency.

L.C.L. Pyran

(L.F.L. Pyman)

15th March, 1948.

I agree with Mr. Pyman koncentration of the reserves in Haifa would give us time to see what the de facto situation in Palestonic is black to be on the 1st August. We could then make final arrangements in conformity with that situation.

#13 ecly 15/1"

This is a difficult question. I agree on the whole that we should not establish a currency reserve at Amman, but I do not think we can rely on the G.O.C. being able or willing to move currency about Palestine with an armed escort after May 15th. If it were necessary to send currency from Haifa to the Arab areas after that date, it would have to be sent by sea to Beirut and thence by Arab means to Arab banks in Palestine. Provided that this seems feasible, I think that we should express ourselves as being in favour of leaving the currency in Haifa, while we saw how the situation developed after May 15th.

BASIS

15th March, 1948.

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E 3350/7/31

Mr. Pyman and I saw Mr. Loombs, of the Bank of England, and Mr. Higham, of the Colonial Office, this morning to discuss the matter dealt with in E 3350/7/31.

It emerged from this talk that it would be necessary in any case to set up for the time being a sub-chest at Amman to hold the currency reserves (previously stored at Jerusalem) which will be required as long as Transjordan continues to use the Palestine £. The Bank of England were now suggesting that this sub-chest should also contain the reserves required for the Arab areas of Palestine. Mr. Pyman pointed out that the latter arrangement would make the Arab areas of Palestine entirely dependent on King Abdullah. Not only would this mean our giving the King a very strong lever on Arab Palestine, but it might also involve us in representations to him on behalf of the Palestine Currency Board in the interests of parts of Arab Palestine held by the Mufti.

It was finally agreed that, subject to further submission in the Foreign Office, the following arrangement would meet the Bank's requirements, while taking account of Foreign Office difficulties:-

- (a) A sub-chest should be established at Amman to hold the reserves specifically required for Transjordan (which have up till now been supplied from Jerusalem).
- (b) As regards currency reserves for Palestine, banks in Palestine should be informed that these reserves were to be located at Haifa and Amman. No public announcement would be required and this wording would, by treating Palestine as a whole, avoid any suggestion that the Arab areas must necessarily be supplied from Amman.
- (c) It should be understood that the Foreign Office would not be prepared to make representations in certain circumstances to King Abdullah if the supply of currency from Amman to Arab Palestine was held up. In that case, the Bank of England understood that the banks must make their own arrangements to secure currency from Haifa by their own methods (presumably via Beirut).

If you agree to this arrangement, we shall so inform the Colonial Office and

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Shall so inform the Colonial Office and Bank of England.

22nd March, 1948.

L.E.L. Promise L.E.L. Promise 22(2)

E 44 2/16/80 MW My William Holling Additional 22(2)

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My Reference 75173/21/48

The Church House, Great Smith Street,

10th March, 1948.

London, S.W.1.

Your Reference

TOP SECRET

The Palestine Currency Board have recently been considering the question of the security of their reserve stocks in Palestine after the termination of the Mandate. I enclose Colonial Office telegram No. 472 to Palestine and Palestine telegram No. 540 in reply.

Colonial Office,

The Currency Board are meeting for a preliminary discussion of this question next Wednesday and I should be grateful if you could let me have any Foreign Office views on the suggestion that stocks of currency for use in the Arab areas of Palestine should be kept in the Ottoman Bank in Amman. There may of course be Treasury objections to this proposal, since I understand that Trans-Jordan's sterling balances have not been blocked and to conduct Currency Board transactions through Amman might open up a loophole by which Palestine's balances might leak out. At the moment however I only want to find out whether there will be any political objections to the proposal and I should be grateful if you could let me know before next Wednesday.

(J. D. Higham)

J.G.S.BEITH, ESQ.

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INWARD TELEGRAM.

TO THE SECRETARY OF STATE FOR THE COLONIES.

Cypher (C.T.P.)

PROM PALESTINE (Gap. Sir A. Cunningham)

D. 4th March, 1948.

R. 4th " 14.15 hrs.

No. 540 Top Secret.

Your telegrem No. 472.

Paleatize Carrency Board.

Recent atocks have been held at Jerusalem and Heife in ratio approximately 2 to 1. Policy will be to concentrate in Heife from about the middle of April (or earlier in the event of security situation necessitating such move at an earlier date). Reason for this date is intention of Bareleys (D.C. and O.) Bank to move their British staff from Jerusalem by 15th April.

- that Haifa will remain accessible to both ereas, but this can egrainly not be relied on. Areb banks have no suitable strong room assommodation. Anglo-Palestine Bank bas strong room assommodation in Tel Aviv. However, I do not resommend that there should be two examples for the Currency Board. If, therefore, Barelays (D.C. and O.) are unwilling to sontinue, the only source would be to ask the Ottoman Bank. If the latter not syresable, then it would be necessary to endeavour to excess for a dual agrees.
- (Tel Aviv) would probably be practicable, but in the ages of an Arab bank, I wany much soubt whether
- (a) the security would be sufficient to justify approval by Board of this agency or
- (b) it would be possible to construct ediquate strong room essemblation unless the Currency Board sould obtain and ship in time a proper strong room door.

In where of this the only alternative and distribute the for the Arch Archive the or the Original Sent in Sent (as present to a strong lawfer base not (repost not) sufficient capacity in strong room there).

- inauperable and if Baroleys (D.C. and U.) continue as egapte, it would be worth considering the construction of a new athems to come of Research or Rebins for currencies assessible to irela. Gialler scheidenstions would apply if one Olives Heak was to replace Bareleys (D.C. and O.) as apply.
- 5. It is not prestile to envisor prestic attentions for latter as the first of the section banks of fatter as they are classification of the section of the

In fact, the position is that if conditions do not (repeat not) deteriorate beyond point at which the Currency Board would have to ease Operation, Heifa could be relied upon to meet the needs of both sectors of the ecomunity. Should this place become isolated in a de facto Jewish State (whether or not de jure) the Currency Board could not (repeat not) in my opinion regard strong room somewhere in the proposed Arab State (even if it could be provided) as sufficiently ease, and Arabs would have to look to Amash. I therefore recommend that earliest possible negotistions with Ottoman Bank in Trans-Jordan, in view of the possible vastly increased demands which may be made on them, and also as to shether they would not as agents for the Currency board in respect of banks in the Arab areas of Falsating if needsacry.

To I would take this opportunity to mention that the possible resentity at some date after the termination of the Harders to recore any surremy on hand to Cypens for eath Lets at a modes tame who tells

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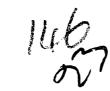
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— Are A-P. Inspect — Re. B.F. Kenspech

OUTWARD TELEGRAM.



FROM THE SECRETARY OF STATE FOR THE COLONIES.

75173/21/48

Cypher (0.T.P.)

TO PALESTINE (General Sir A. Cunningham) Sent 6th February, 1948, 18.45 hrs.

No. 472 Top Scoret.

Palestine Currency Moard.

currency Board are concerned regarding future security of their reserve stocks in Palestine now totalling about £8,500,000. I understand that these are at present held, broadly in ratio in 5 to 1, in strong rooms at Jerusalem and Halfa on Barclays' premises.

- 2. Suggestion has been made here that it might be advisable to take early steps to concentrate reserves in Haifa if Barclays facilities there are adequate. Question of security of these stocks is no doubt under constant review in the light of developments, but I should be glad to know what arrangement you have in mind for meeting situation in period prior to termination of Mandats.
- 5. Position after termination of Mandate also requires consideration. In the period up to Sist July presence of British troops in Haifa may provide some incidental protection there, although security of currency stocks would not fall within the General Officer Commanding's directive. Provision of necessary protection in Haifa would therefore be a matter for the United Nations Commission and for the Jewish State, when extablished.

resulting in possible failure to meet currency december vould be nest unfortunate, and they would presumably be as antique as the maintain fullest possible confidence in the currency. On the other hand location of the whole of the reserves within the fariety be politically undesirable.

- egent (Barclays) from Palastine might become nocessary connoces overlooked. Possibly, however, some other Banks might be able to continue to operate and if nocessary chtain notes from Currancy Foard in London against payment in shorting.
- they definate which you may be able to give of probable position of Banks after termination of Mandate and Whather any other reputable Banks might then be in a better position than Barolays to 115 as local currency issuing agents for Correct Fourt.

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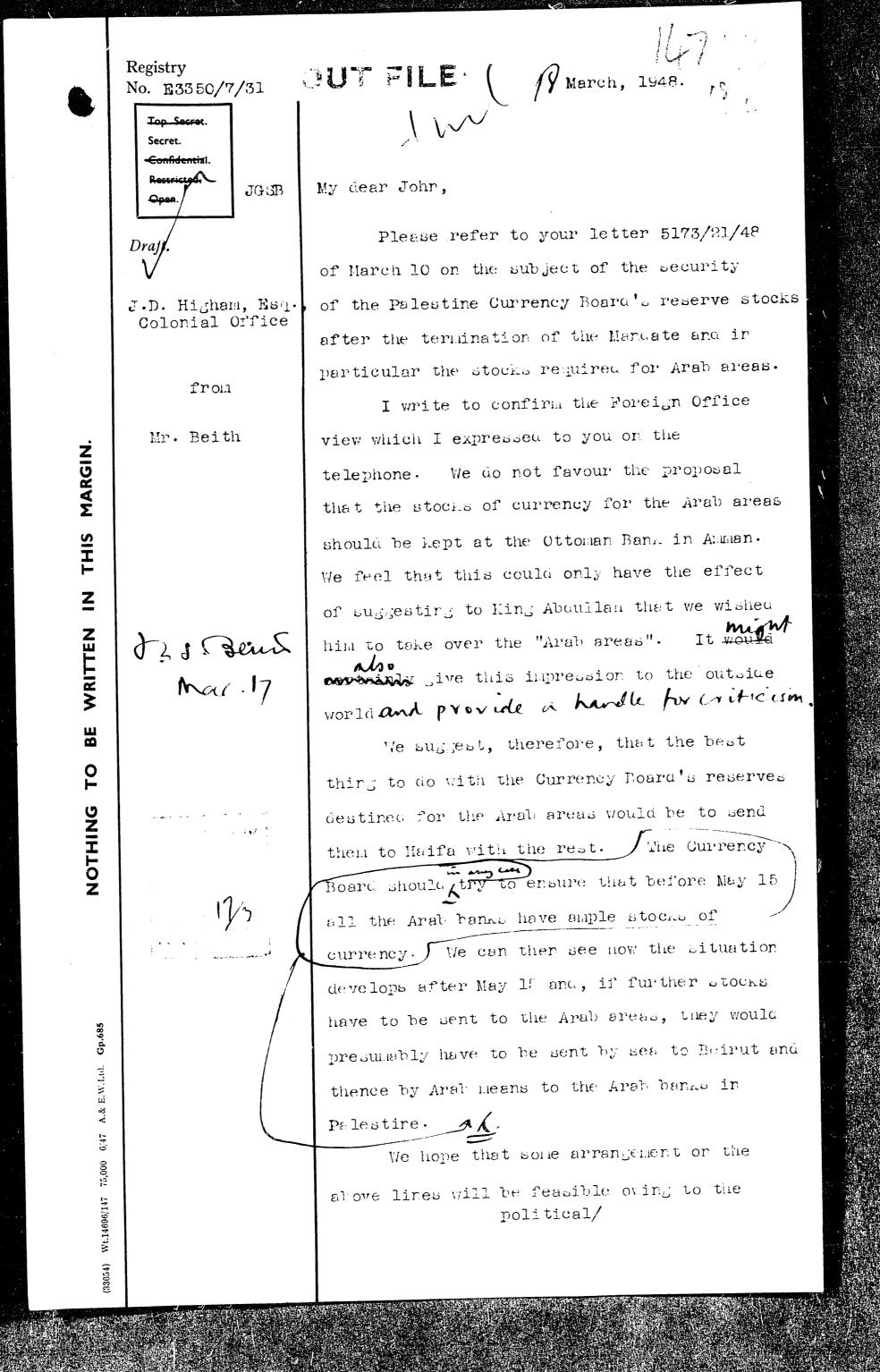
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Mr. Gutch
Mr. Mathieson
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Mr. Osleworthy
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Mr. Lastrood
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Crove Agens
Baol of England
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Brussury
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political difficulties inherent in the Amman suggestion.

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HING TO BE WRITTEN IN THIS MARGIN.

FOREIGN OFFICE, S.W.1.

(E 3350/7/31)

18th March, 1948.

Secret

My dear John,

Please refer to your letter 5173/21/48 of 10th March on the subject of the security of the Palestine Currency Board's reserve stocks after the termination of the Handate and in particular the stocks required for Arab areas.

I write to confirm the Poreign Office view which I expressed to you on the telephone. We do not favour the proposal that the stocks of currency for the Arab areas should be kept at the Ottoman Benit in Amman. We feel that this could only have the effect of suggesting to King Abdullah that we wished him to take over the "Arab areas". It might also give this impression to the outside world and provide a handle for criticism.

We sug est, therefore, that the best thing to do with the Currency Board's reserves destined for the Arab areas would be to send them to Haifa with the rest. 'e can then see how the situation develops ofter 15th May and, if further stocks have to be sent to the Arab areas, they would presumably have to be sent by sea to Beirut and thence by Arab means to the Arab banks in Palestine. The Currency Board should in any case try to ensure that before 15th May all the Arab banks have ample stocks of currency.

We hope that some arrangement on the above lines will be feasible owing to the political difficulties inherent in the Ammen suggestion.

Acque sineerelk

(J.G.S. Beith)

J.D. Higham, Esq., Colonial Office.

31 March, 1948. [49] Registry No. E3350/7 /31 Top Secret. Secret. My dear John, Confidential. We discussed at the Foreign Office on March 22nd the question of the location of the Palestine Currency Board's reserve stocks after the termination of the Mandate, about which I J.D. Higham, wrote to you on March 18. Colonial Office I now write to confirm that we are in agreement with the arrangement which was finall from Mr. Beith reached at our meeting and which I would define MARGIN as follows -(a) A sub-chest should be established at Anman to hold the reserves specialically THIS required for Transjordan (which have up till now been supplied from Jerusalem). (b) As regards currency reserves for Palestine, 30/3 banks in Palestine should be informed that these reserves were to be located at Haifa and Amman. No public announcement would be required and this wording would, by treating Falestine as a whole, avoid any suggestion Copy to that the Arab areas must necessarily be Miss Loughnane, Treasury. supplied from Anman. Mar. 24 (c) It should be understood that the Foreign Office would not be prepared to make representations in certain circumstances to King Abdullah if the supply of currency from Amman to Arab Pelestine was held up. In that case, the Bank of England understand that the banks must make their own arrangements to secure currency from Haifa by their own methods (presumably via Beirut). I am sending a copy of this letter to Miss Loughnane at the Treasury. Perhaps you, or they, would be good enough to inform the Bank of England of the contents of this letter.

FOREIGN OFFICE, S.W. CAD

31st March, 1948.

(E 3350/7/31)

CONFIDENTIAL

My dear John,

He discussed at the Foreign Office on 22nd March the question of the location of the Palestine Currency Board's reserve stocks after the termination of the Mandate, about which I wrote to you on 18th March.

I now write to confirm that we are in agreement with the arrangement which was provisionally reached at our meeting and which I would define as follows:-

- (a) A sub-chest should be established at Amman to hold the reserves specifically required for Transjordan (which have up till now been supplied from Jerusalem).
- (b) As regards currency reserves for Palestine banks in Palestine should be informed that these reserves are to be located at Haifa and Amman. No public announcement would be required and this wording would, by treating Palestine as a whole, avoid any suggestion that the Arab areas must necessarily be supplied from Amman.
- (c) It should be understood that the Foreign Office would not be prepared to make representations in certain circumstances to King Abdullah if the supply of currency from Amman to Arab Palestine was held up. In that case, the Bank of England

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J.D. Higham, Esq., Colonial Office.

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I am sending a copy of this letter to Miss Loughnane at the Treasury. Perhaps you, or they, would be good enough to inform the Bank of England of the contents of this letter.

Yours sincerely,

S' (J.G.S. Beith)

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